

EXECUTIVE BUDGET

Fiscal Year 2007

State of Michigan
Jennifer M. Granholm, Governor

Mary A. Lannoye, State Budget Director



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
OFFICE OF THE GOVERNOR
LANSING

JOHN D. CHERRY, JR.
LT. GOVERNOR

February 9, 2006

My Fellow Citizens:

The fiscal year 2007 budget proposal I submit to the Legislature today will move our state forward on the path to a better, stronger Michigan. It increases our investment in education to make sure our children have the resources and tools they need to succeed in the 21st century economy. It makes health care more accessible and affordable for Michigan citizens. And it provides a solid foundation for my comprehensive plan to create jobs today and jobs tomorrow in Michigan.

The budget proposal demonstrates the strong commitment to fiscal integrity that characterized my three earlier budgets. We have continued to find ways to make government work better while living within our means. The struggles of our automotive industry and our other manufacturers continue to impact our budget this year. In response, we have produced a spending plan that lives within the fiscal realities of this moment while promoting the economic growth we seek for our state – a plan that does not raise general taxes.

Because our state's economy is more closely tied to the manufacturing and automotive sectors than any other, Michigan feels the pain of our national manufacturing crisis more than any other state. That is why I have offered the most far-reaching economic plan of any state in the country – a \$6 billion plan that secures our future by fighting to retain the jobs we have in Michigan today, diversifying the economy to create thousands of new jobs, and protecting our families. This balanced budget proposal for the coming fiscal year will allow us to move that comprehensive plan forward.

To reach the goals mentioned above, we will continue to find efficiencies in state government; we will prioritize our spending; and continue to live within our means. Quite simply, this recommendation – like the three before it – provides the most essential state services in the most cost-effective way possible.

My budget recommendation will ensure that our children have the tools they need to succeed in the classroom and in the 21st century economy because we will once again invest more in our state's public schools. I am proposing an increase in spending by yet another \$200 per student for the coming fiscal year. With this \$362 million increase for schools, we will invest more in our children's education than at any other time in the state's history and direct that spending into improving learning in the classroom.

We will create the best educated workforce in the nation by investing more in our system of higher education. We will increase funding for all of our state universities and community colleges. This budget proposal invests \$2 billion to help reach our goal of doubling the number of college graduates in Michigan by 2014.

We will expand access to quality, affordable health care for the people of this state. In this budget, we will detail our plan to provide health insurance for 550,000 people – the Michigan First Healthcare Plan. We will also continue to ensure our most vulnerable citizens have access to health care despite significant cut backs in federal health care funding.

My budget recommendation also provides funding to protect the families of this state in important ways, from law enforcement to environmental protection to food safety initiatives.

Securing our future means creating good jobs. In this budget, I am making more than \$240 million available to invest in infrastructure projects at university and community college campuses and at state facilities. This will create jobs in Michigan today and give us a higher education system that will educate the workforce for tomorrow. I am also proposing a major incentive that will encourage our cities to partner with the state, the private sector, and other municipalities on infrastructure projects that foster economic development. The \$100 million I am offering to encourage these regional collaborations will create construction jobs today and enhance our cities tomorrow.

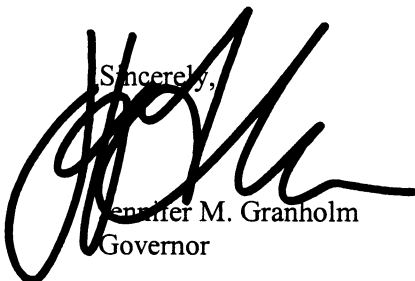
In addition, my recommended budget invests more in our treasured state park system – a critical element for Michigan's tourism industry. I am also proposing to invest more in Michigan's transportation system, to increase mobility and improve our economy.

And we can once again do all of this without raising general taxes.

Since becoming your Governor, I have cut more from state government spending than any Governor before me and resolved more than \$4 billion in budget deficits. At the same time, I have invested in the things that matter most to the people – and the future – of our state.

Securing our future means investing in people and growing jobs in order to strengthen Michigan's economy. This budget proposal I present to you will allow us to make that critical investment. I once again look forward to working with the members of the Legislature in the coming months to secure Michigan's future by putting this budget to work for the people of this great state.

Sincerely,

A large, stylized handwritten signature in black ink, appearing to read 'Jennifer M. Granholm'.

Jennifer M. Granholm
Governor

FISCAL YEAR 2007 EXECUTIVE BUDGET

TABLE OF CONTENTS

	<u>Page</u>
BUDGET OVERVIEW	A 1
SPENDING BY GOAL	B 1
GOAL DETAIL	C 1
DEPARTMENT DETAIL	D 1
BACKGROUND INFORMATION.....	E 1

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Budget Overview

SECURING OUR FUTURE

Fiscal Year 2007 Executive Budget

Governor Granholm's proposed fiscal year 2007 budget continues to focus on strengthening and diversifying Michigan's economy. A critical component of achieving that goal is to ensure that the state has a budget in place that will protect those priorities and will secure our families' futures.

The budget proposal demonstrates Governor Granholm's strong commitment to fiscal integrity. It helps advance the state's efforts to attract job providers from across the country and around the world. As the Governor mentioned in her fourth State of the State Address: *"A state that can balance its books and maintain a high quality of life is a state that will attract businesses and jobs."*

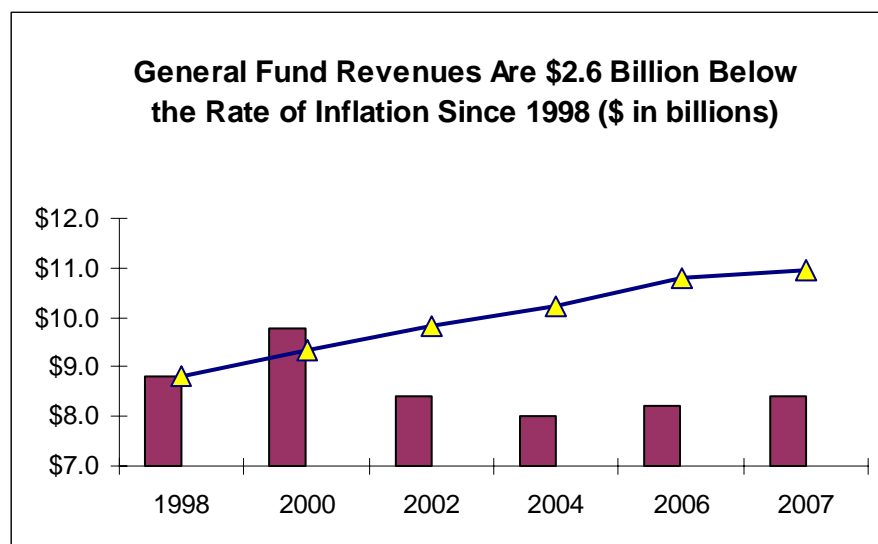
The Governor's budget accomplishes just that. This balanced budget for the coming year will create good jobs, protect our families, and educate our children -- without a general tax increase. The Governor also rejects radical tax schemes that would result in deep cuts to education and health care.

As Michigan continues to struggle with the changing economy, this budget makes critical investments in our future: increasing funding for our public schools and institutions of higher learning; funding capital infrastructure projects to create jobs; expanding access to quality, affordable health care for over a half million people; improving our state parks and transportation systems; and maintaining public safety to protect our families.

This budget is balanced in two important ways. First, it represents Governor Granholm's determination that Michigan will live within its means. Second, it maintains the critical balance between Michigan's tax climate and our unique quality of life.

REVENUES

State law requires two revenue estimating conferences each year. Their purpose is to agree upon baseline revenue estimates for the current year and the upcoming fiscal year, for both the general fund and the School Aid Fund. The conferences are held in mid-January and mid-May. The January conference provides the estimates upon which the Governor's budget recommendation is based. The May conference provides an opportunity to review the January estimates before final legislative action on the budget.



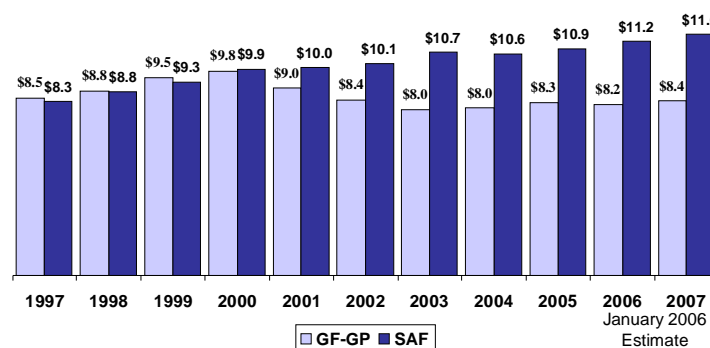
At the January 2006 revenue conference, the conferees estimated the 2007 baseline general fund revenues at \$8.38 billion, 2 percent more than the current year's revenues. School Aid Fund revenues are estimated at \$11.6 billion, an additional \$360 million or a 3.2 percent increase.

The state's budget shortfalls over the last few years are largely attributed to the anemic growth in general fund revenues. The 2007 baseline revenues are less than they were in 1998 and almost \$2.6 billion below the rate of inflation.

In contrast to the general fund, School Aid revenues have grown at a much steadier rate. In 1997, general fund revenues exceeded School Aid Fund revenues by \$200 million. Since 1997, general fund revenues have declined while School Aid revenues increased by \$3.3 billion.

The \$8.38 billion general fund estimate does not include all of the revenue available to the state. Not included in the baseline revenues are \$600 million from maintaining revenue sharing at the current funding level, \$15 million in interest earnings on the securitization proceeds, and \$49 million in land sales and other non-tax revenues. The adjusted 2007 revenues total \$9.04 billion -- *an amount that is only \$60 million or seven-tenths of one percent more than the current year's enacted budget.*

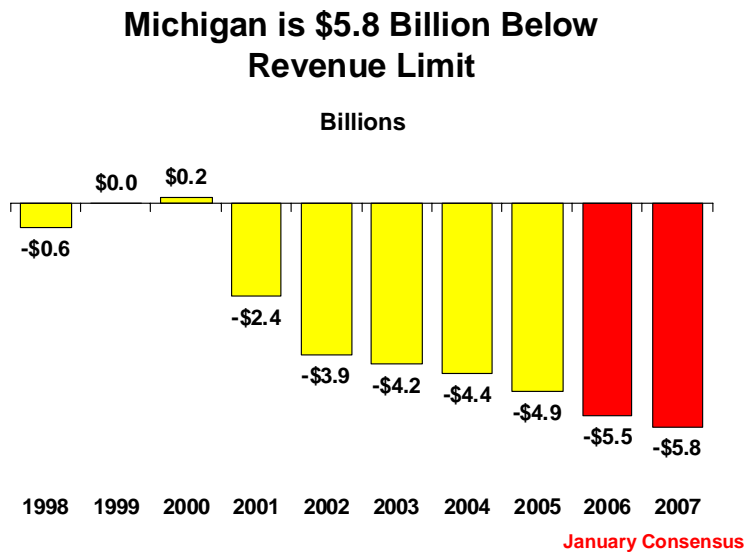
School Aid Fund Revenues Grow While GF-GP Revenues Fall



FY 2006 and FY 2007 figures are the January 2006 Consensus estimates.

31

Many states have constitutional or statutory provisions that limit their spending growth from year-to-year. Michigan has had such a constitutional provision since 1978. Our spending limit provision is commonly referred to as the Headlee Amendment. Article IX, Section 26, of the Michigan Constitution limits the annual growth in state revenues to a level that cannot exceed the year-to-year growth in personal income. The Headlee Amendment is intended to ensure that the state's overall revenues, both tax and non-tax, do not grow faster than the incomes of its residents.



Michigan is currently \$5.8 billion below the Headlee revenue limit. If our state revenues had grown at the same rate as the growth in personal income, Michigan revenues would be \$5.8 billion higher than current estimates. Since 2001, Michigan has repeatedly balanced its budget despite being billions of dollars below the revenue limit – clear proof that we have, and will continue to live within our means.

FISCAL YEAR 2006

When the current budget was signed into law, there was a projected fiscal year 2006 general fund surplus of \$2 million. The Governor's budget recommendation now assumes a \$79.8 million 2006 ending balance, which will be available to address fiscal year 2007 shortfalls.

The increase in this anticipated balance is due to several items. Most notable is the fact that, when the state's books for fiscal year 2005 were closed, there was a \$220.5 million general fund surplus, much more than had been anticipated. In addition, the January revenue estimating conference increased general fund revenue estimates by over \$40 million.

This additional revenue, however, has been partially offset by single business tax cuts recently enacted into law, reducing general fund revenues by almost \$105 million, and other non-tax revenues that are not expected to meet original expectations. In addition, recently enacted supplemental appropriations (P.A. 226 and 297 of 2005) will increase general fund spending by \$5.9 million.

With transmission of her fiscal year 2007 budget message, the Governor is also recommending a 2006 supplemental of \$33.2 million general fund. This supplemental request includes \$32.1 million general fund for the Department of Human Services to replace unavailable federal revenues, and \$500,000 general fund to cover anticipated redistricting costs.

FISCAL YEAR 2007

Since taking office in 2003, Governor Granholm has resolved over \$4 billion in budget shortfalls. These shortfalls were addressed in bipartisan cooperation with the legislature. The resolution of these budget shortfalls involved many difficult and painful choices. Choices which have balanced nearly \$3 billion in spending cuts with other necessary actions including state employee concessions, the depletion of reserves, fee increases, tobacco and casino tax increases, the suspension of county revenue sharing payments, and numerous fund shifts to restricted and federal revenues.

A key component of the Executive Budget is an analysis of any structural imbalance. When Governor Granholm took office in January 2003, she had to address a \$1.9 billion structural deficit in the 2004 budget. Since that time, the structural imbalance has steadily declined – to \$1.3 billion in 2005 – to \$800 million in 2006 – to just over \$400 million in 2007.

"Granholm has not raised general taxes and has succeeded surprisingly well at managing the state on a shoestring."

Detroit Free Press, January 26, 2006

Analyzing the structural imbalance involves estimating the difference between the available revenues and the cost to continue services at current levels. As noted previously, the net increase in general fund revenues is only \$60 million. Spending pressures total \$468 million, creating a funding gap of \$408 million.

General fund spending pressures include the following:

- The budget recognizes \$151 million in cost increases for the Department of Community Health. These increases include \$133 million for Medicaid caseload and utilization costs, \$38 million to meet actuarial soundness tests in the Medicaid managed care programs, and \$17 million to cover a decrease in the federal Medicaid matching rate. A \$30 million balance in the Medicaid Benefits Trust Fund as well as growth in provider tax revenues help offset these increases.
- General fund revenues are needed to replace federal and restricted funding sources that are no longer available for various reasons. For example, \$78 million general fund is needed to replace federal Temporary Assistance to Needy Families (TANF) funds that are no longer available due to depletion of prior year reserves.

In addition, \$10 million is needed to replace declining bottle deposit revenues, and \$7 million is needed to replace the one-time higher education revenues used to support the 2006 budget. In total, \$117 million general fund is needed to replace federal and restricted revenues.

- \$107 million gross, \$63 million general fund, is needed to cover collectively-bargained salary increases for state employees, a relatively small amount when compared to the \$366 million in concessions employees agreed to in 2004 and 2005.
- \$24 million is needed to cover the increased cost of health insurance for active employees.
- An additional \$58 million is needed to cover increases in pension costs due to an increase in the unfunded accrued liability in the pension fund as well as cost increases for retiree health benefits.
- Spending will increase in the Department of Human Services due to caseload growth and year two of its technology investment project which will improve productivity and efficiency in service delivery.
- Public Act 200 of 2005 appropriated 2005 carry-forward dollars to pay for 2006 public safety costs. In order to continue those public safety initiatives, the one-time revenues need to be replaced in 2007.
- A variety of other relatively small cost increases are recognized in other state programs.

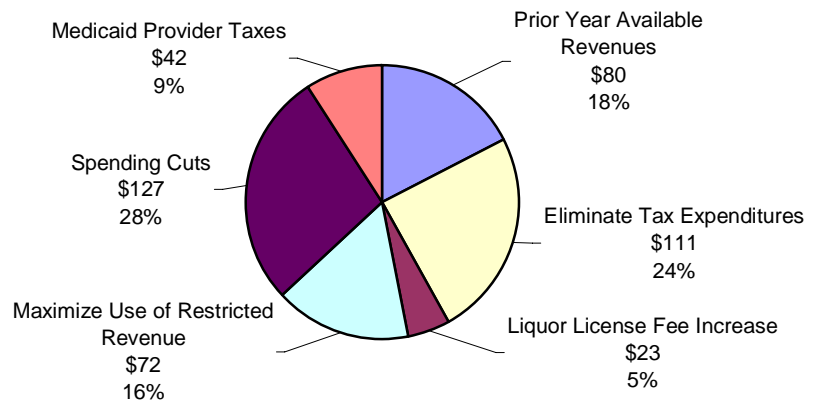
FY 2007 FUNDING GAP (\$ in millions)	
Baseline Spending Adjustments:	
Community Health Cost Increases	\$151
Restricted Revenue Shortfalls	117
Employee Salaries and Benefits	87
Pension Obligations	58
Human Services Cost Increases	23
Public Safety Supplemental	8
Other Spending Pressures	<u>25</u>
Total Spending Adjustments	\$468
Minus	
Net Revenue Increase	\$60
TOTAL FY 2007 FUNDING GAP	\$408

Despite these spending pressures, the Governor believes that there are several high priority goals that require enhanced funding. In order to help keep tuition affordable, the Governor recommends a two percent overall operational increase for public universities and community colleges (\$34 million general fund). The Governor also recommends \$20 million, \$9 million general fund, to increase wages for home help workers who provide care for elderly and disabled persons in their own homes. And, in order to protect children from child abuse and neglect, the Governor's budget adds \$3.7 million, \$2.3 million general fund, to hire 51 additional children's protective service staff.

To pay for these and other high priority investments in Michigan's future, the Governor's budget also calls for the following changes in fiscal policy.

- Spending reductions of \$127 million. This includes \$40 million in Medicaid and welfare savings associated with implementing cost recovery programs, improved eligibility determinations, and pilot projects. Also included is \$29 million in policy changes in the private tuition grant program.
- The elimination of \$111 million in tax expenditures, many of which were already agreed to as part of bipartisan negotiations in November 2005.
- Use of \$80 million in projected fiscal year 2006 carry-forward.
- An inflationary increase in liquor license fees that will generate \$23 million in new revenues.
- Fund shifts of \$72 million, including a reduction in the general fund subsidy to the School Aid Fund.
- Medicaid provider tax savings of \$42 million.

**A Mix of Solutions Balance the 2007 Budget
(\$ in Millions)**



TAX EXPENDITURES

A significant element of Michigan's budget is tax subsidies. Michigan's tax code contains 182 tax expenditures, or loopholes, which cost the state over \$30 billion per year. Tax expenditures are credits, deductions, and exemptions from existing state taxes. They often represent state spending made through the tax system, rather than through the traditional annual budget.

There are two types of tax expenditures. The first type is an inherent part of the state's overall taxation system. Examples include sales tax exemption on food and drugs, the homestead property tax credit, or the exemption for income tax paid to another state. The second group represents those credits, deductions and exemptions that most closely resemble appropriations made through the tax system, rather than through the budget system. Many of these are tax loopholes added to the tax system to benefit special interests.

The Governor believes that this latter group should be analyzed each fiscal year just like any other expenditure in the budget to determine if they are achieving their intended purpose, and if they are delivering results to citizens.

The Governor's budget recommends the elimination of 15 distinct tax loopholes, generating more than \$110 million in savings that is redirected to higher priority needs in the budget. The Legislature has already examined many of these loopholes and determined that they should be eliminated. Ten of these subsidies were passed by the Legislature last November, but did not take effect. The Governor recommends that the following tax subsidies be eliminated or modified:

- penalties for certain delinquent taxes;
- commercial rental property taxation;
- sales in prison stores;
- income limits for limited liability companies filing as a corporation;
- tax relief for small business owned by a similar business without ties to Michigan;
- driver education vehicle purchases;
- insurance company out-of-state purchases;
- international and certain interstate communications;
- gains and losses attributable to a business entity not taxable in Michigan;
- "flow through" entity deductions;
- oil and gas double deductions;
- interstate truck and trailer exemption;
- collection of taxes from a single enterprise (affiliate nexus);
- tax liabilities of professional employee organizations and other employee leasing arrangements; and
- calculation of tax on inherited assets.

In addition to eliminating these tax subsidies, the Governor proposes to follow the lead of eighteen other states in publicizing the names of major delinquent taxpayers. Prior to posting names on the Internet, the Department of Treasury would notify delinquent taxpayers to provide them an opportunity to arrange for payment.

STATE OF MICHIGAN GOALS

The Governor's fiscal year 2007 budget is based on her belief that we must invest in educating our children, protecting our families, and creating the jobs that will secure Michigan's future. Once again, the budget was developed utilizing a number of the tools from a "budgeting for outcomes" process. The spending priorities in this budget are tied to six overarching goals. Each activity funded in the state's budget was assigned to one of these six goals. The process is designed to ensure that the state's limited financial resources are focused on achieving these six goals.

STATE OF MICHIGAN GOALS

Education	<i>Improve Student Achievement</i>
Jobs and the Economy	<i>Sustain and Create Business Investment and Jobs in Michigan</i>
Health & Human Services	<i>Make Michigan's People Healthier and Our Families Stronger</i>
Hometown Security	<i>Protect Our Citizens and Make Michigan's Communities Safer</i>
Natural Environment	<i>Enhance the Quality of Michigan's Natural Environment</i>
Better Government	<i>Make Government in Michigan More Cost Effective and Efficient</i>

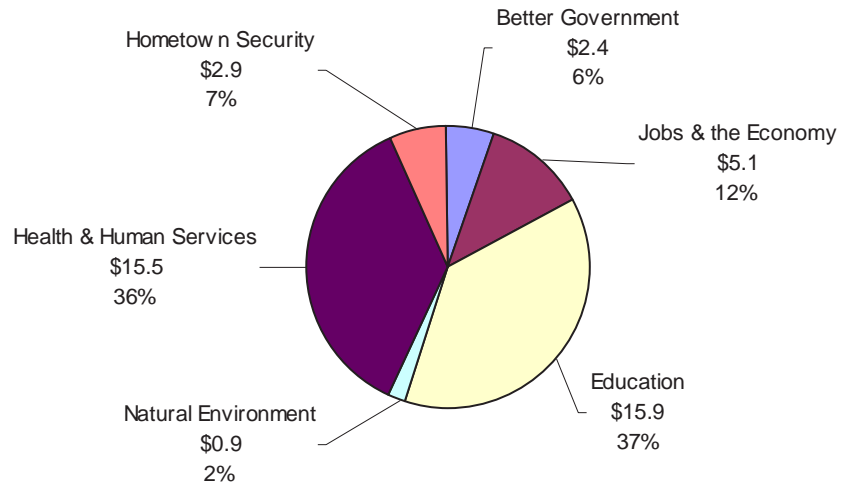
The overall budget proposed by Governor Granholm totals \$42.6 billion. Within this budget, the Governor's number one priority continues to be education. Education spending totals \$15.9 billion, including \$13.1 billion for school aid and \$2 billion for higher education. The Governor's recommended School Aid budget includes a \$200 increase in the per pupil foundation allowance and represents a \$362 million increase from the current year's enacted budget.

Higher Education funding reflects a 2 percent increase in overall operational support for universities and community colleges.

The budget recommendation also includes \$15.5 billion for health and human services, \$5.1 billion to improve the economy, \$852 million for the environment, \$2.9 billion for hometown security and \$2.4 billion for better government. Overall spending is increased by only 2.5 percent.

All of Michigan's fiscal year 2007 spending is allocated to support these six goals. The goals are essential to providing high quality public services and securing our futures. Following is a description of each of the six goals, along with key fiscal year 2007 funding recommendations.

Education Spending Leads the Way (\$ in Billions)



JOBS AND THE ECONOMY

Michigan's economic engine is fueled by strong business and entrepreneurial investment, a skilled and dedicated workforce, and effective infrastructure and transportation systems. In her State of the State address, Governor Granholm reaffirmed her commitment to go anywhere and do anything to create jobs and opportunities for Michigan citizens. The Governor's Executive Budget Recommendation for economic development programs totals \$5.1 billion gross, \$135 million general fund, representing 12 percent of the total recommended budget for fiscal year 2007.

Growing Michigan's Economy

The 21st Century Jobs Initiative, enacted into law in late 2005, will invest \$2 billion in public and private resources over the next decade to diversify our economy and to provide Michigan's citizens with tens of thousands of good-paying jobs. This initiative will focus on growing the following sectors: life sciences research; advanced automotive

"...the 21st Century Jobs Fund, the product of almost unanimous bipartisan agreement -- the largest investment in diversifying our economy this state has ever seen. It'll create tens of thousands of new jobs.... This effort will create all kinds of jobs for all kinds of people. Jobs that will not be outsourced. Jobs that will keep our children in Michigan."

Governor Granholm, January 25, 2006

manufacturing; alternative energy; and homeland security and defense. The initiative also doubles the funding available to promote Michigan as a tourist destination.

This budget reflects the next steps in the Governor's Jobs Today program to create jobs by accelerating critical infrastructure projects. As a continuing part of that plan, the fiscal year 2007 Executive Budget commits \$100 million in capital outlay spending as an incentive for local units of government to partner on significant economic development capital projects that foster regional collaboration and create both long and short term jobs.

The Capital Outlay budget also recommends \$194.3 million in state financing to support capital building projects at 19 universities and community colleges throughout the state. In addition, the Governor challenges universities to identify expansion projects that support efforts to diversify our economy and increase the number of college graduates in Michigan.

Developing the Workforce of Tomorrow

Over \$532 million is recommended to support employment and training services including adult and vocational education, welfare-to-work, payments to local workforce development boards, and specialized career and technical education assistance.

The Michigan Opportunity Partnership, created to fast-track jobs in high demand areas such as health care and the building trades, has already matched more than 20,000 residents with jobs and will place another 40,000 people in new jobs in year two. The Executive Budget Recommendation includes \$10.8 million to continue this successful effort.

Important to the Governor's strategy are the Regional Skills Alliances, which help job seekers obtain the skills necessary to fill jobs in their local community. The Alliances are locally managed partnerships formed to address local worker shortages. The fiscal year 2007 budget includes \$1.5 million, an increase of \$650,000, to expand the number of Alliances from 17 to 25. The budget recommendation also includes \$9.7 million for Economic Development Job Training (EDJT) grants to meet the training needs of employers.

Welfare-to-Work programs, which provide job training and placement services to over 100,000 public assistance clients, are funded at \$113.8 million in fiscal year 2007. Beginning this year and continuing in 2007, the departments of Human Services and Labor and Economic Growth will collaborate on a new Jobs, Employment and Training (JET) pilot to provide intensive services to long-term cash recipients in order to reduce poverty and welfare dependency. The JET pilot is expected to save the state \$11 million in 2007.

Growing Strong Communities

The fiscal year 2007 budget includes \$45 million in Community Development Block Grant funding for local community development projects requiring public infrastructure assistance. The budget also includes \$10.1 million for arts and economic development grants funding to support and sustain cultural institutions throughout the state that are vital to economic development and maintaining vibrant communities.

The budget includes \$135 million for housing and rental assistance grants provided by the Michigan State Housing Development Authority (MSHDA) to help low-income families obtain and maintain safe, affordable housing.

Improving Transportation Programs

The effective and efficient movement of people and goods is critical to growing Michigan's economy. Continued investment in road infrastructure projects is necessary to keep pace with the accelerating demands of modern commerce. Over \$3.6 billion is recommended for state and local road and bridge projects, airport infrastructure improvements, and public transportation programs.

Funding for local road and bridge projects is recommended at \$1.4 billion in fiscal year 2007. In addition, the budget supports \$1.4 billion for construction and maintenance on state highways. To encourage and support public transportation systems, public transit funding is increased to \$291.5 million, an increase of \$34.8 million. A majority of the additional funding is targeted to bus operating assistance and capital grants to support local transit agencies and improve public transportation services.

EDUCATION

Governor Granholm is strongly committed to giving all of Michigan's children the tools they need to succeed in a global economy. She is fighting to give all of Michigan's children access to higher education and give our state the best-educated workforce in the nation in order to grow our economy. In total, the Governor's budget recommends spending \$15.9 billion on education, of which \$2.2 billion is general fund. Along with increased spending, the Governor's budget also reflects increased expectations for K-12 schools and institutions of higher education.

K-12 Education: Improving Educational Performance

The fiscal year 2007 School Aid budget recommendation totals \$13.1 billion, an increase of \$362 million over the current year. Reflecting her priority to spend more money in the classroom, the Governor recommends increasing funding by \$200 per pupil for all students in the K-12 educational system. This increase raises the minimum foundation allowance to \$7,075 per pupil – the highest amount in the state's history.

The fiscal year 2007 budget includes \$15 million for a new after school program for middle school pupils. This program focuses on math, science and computer technology to help students meet local, state and federal standards and better prepare them for more rigorous high school curriculum expectations.

"We will continue to improve our economy using our great public schools as the launching pad."

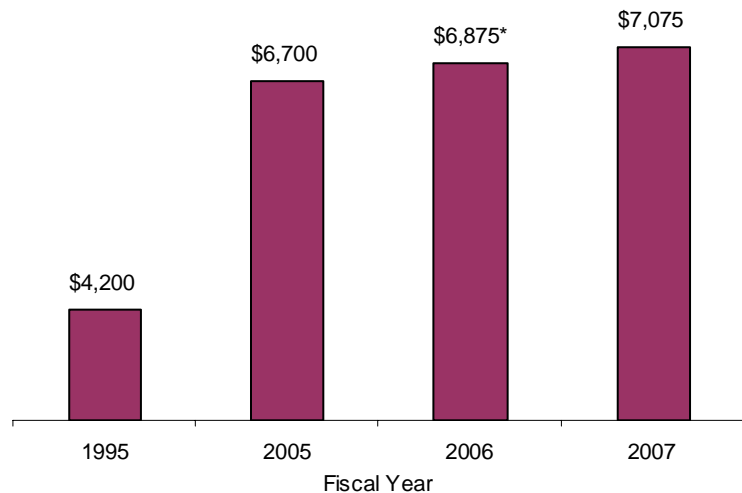
Governor Granholm, January 16, 2006

The fiscal year 2007 budget includes \$50 million to address the problems of declining enrollment school districts by smoothing the funding formula and preventing precipitous declines in school funding.

The Governor has called for a rigorous high school curriculum to ensure that every high school student receives critical math, science and communication skills needed in the 21st century economy. Her budget targets almost \$115 million in state and federal funding for initiatives that provide teachers with the necessary knowledge and skills to support these new standards.

The fiscal year 2007 budget also includes almost \$750 million in state and federal funding for academically at-risk children, and \$1.4 billion to provide special education services to those children who need special assistance to succeed. Over 250,000 students benefit annually from special education services, including over 150 students at the Michigan School for the Deaf and Blind, located in Flint.

The Increase in the Foundation Allowance is Double the Rate of Inflation Since 1995



* The Governor has proposed an increase of \$25 per pupil as a FY2006 supplemental.

Higher Education: Increasing the Number of College Graduates

In order to compete in a global economy, Michigan must significantly increase the number of citizens who attend and complete post-secondary education programs. To support this goal, the Governor's fiscal year 2007 budget recommends \$2 billion in funding for post-secondary education at state colleges and universities.

The Governor recommends increasing higher education funding by two percent at the state's 15 public universities. This includes a two percent across-the-board increase for the three major research universities in the state (University of Michigan, Michigan State University, and Wayne State University). For the other 12 state universities, the Governor recommends a

"...when it comes to education, we will have one overarching goal: to become the best-educated workforce in the nation."

Governor Granholm, State of the State Message, January 25, 2006

one percent across-the-board increase, with an additional one percent to be distributed by a formula that rewards degree completion, accessibility, affordability, and outreach to low-income students. A two percent across-the-board increase is recommended for each community college in the state.

The Governor's budget also includes almost \$230 million for scholarships and student financial aid programs, including \$127.7 million for the Michigan Merit Award. The budget recommendation merges the tuition grant program with the Competitive Scholarship program. The merged program provides grants to undergraduate students at both public and private colleges with maximum grants of \$1,300 per year.

The Governor's budget includes a number of programs to help at-risk students succeed in college. The Martin Luther King – Cesar Chavez – Rosa Parks program, funded at \$2.7 million, encourages minority and low-income students to attend college. The At-Risk Student Success program, funded at \$3.2 million, assists students who are academically at-risk of dropping out of community college. A \$5 million new initiative, MiLEAD, will combine community service in conservation-related areas with academic learning to encourage at-risk youth to attend college.

Investing in Early Childhood Education

The Governor's budget includes \$125.1 million for Great Start preschool programs throughout the state, an increase of \$36.5 million, over 40 percent more than current year spending. With this increase, the Great Start school readiness program will provide more than 33,000 four-year-olds with early childhood education services so that they will enter kindergarten ready to learn.

Funding for Great Parents, Great Start is increased from \$3.3 million to \$10 million. This program, designed for parents of children from birth to age 5, provides parents with the tools and skills to better prepare their children for school.

The Governor's budget also includes \$10 million for children in grades K to 3 to focus on mathematics and reading literacy skills to better prepare them to meet state and federal standards of achievement, and nearly \$30 million for early childhood special education services.

HEALTH AND HUMAN SERVICES

The Governor strongly believes that for Michigan to be a great place to live, work and do business, we must improve the health of our citizens and strengthen our families. Since taking office, Governor Granholm has worked to reduce the cost of, and expand access to, health care. In just three years, the Granholm Administration has extended affordable prescription drug coverage and health care coverage to more than 292,000 people, protected health care for the state's most vulnerable citizens, and created significant efficiencies in the state's Medicaid system that allow expanded coverage at a significantly reduced cost.

The Executive Budget for fiscal year 2007 proposes Health and Human Services spending of \$15.5 billion, of which \$4.1 billion is general fund.

Reducing the Number of People Without Health Insurance

Providing an affordable way for individuals without employer-based health care to get insurance is essential to promote Michigan as a great place to live, work, and do business. The Governor's fiscal year 2007 budget includes several initiatives to reduce the number of uninsured citizens in the state.

The Michigan First Healthcare Plan will provide access to affordable insurance coverage through a partnership with the health care industry and business community. The plan will help small business employees, the self-employed and the working poor who do not have access to employer-based insurance and do not qualify for government programs. When fully implemented, 550,000 people will qualify for this new program. Pending federal approval, Michigan will be able to gain \$200 million in new federal funding by identifying existing state and local dollars as new match. Assuming prompt federal approval, we can begin implementation of this program in mid-2007.

The fiscal year 2007 budget also recommends \$47.9 million to continue the MICHild program, which provides low-cost health care coverage for 34,000 children in low-income families. The Adult Benefit Waiver program, which provides a basic “no frills” health care package for adults with incomes below \$3,660 per year, is funded at \$106.6 million in 2007. The Governor will continue to allocate federal funds to local health care plans now operating in 71 counties in the state. These county plans are funded with \$50 million in federal funds, matched by local funds, and serve approximately 55,000 individuals.

Providing Health Services to Low-Income Children and Adults

The Governor’s fiscal year 2007 budget includes over \$7.3 billion to support the Medicaid program, which provides health care services to over 1.5 million low-income individuals,

“Medicaid is the spirit of American compassion in action, and a vital part of our commitment to our most vulnerable citizens.”

Mike Leavitt, Secretary of Health and Human Services, March 15, 2005

seniors and families throughout the state. The Medicaid program covers a range of services including outpatient and inpatient services, prescriptions, nursing home services, and physician services.

Mental health and substance abuse services to vulnerable individuals and families are funded at \$2.7 billion in the 2007 budget.

Reducing the Number of Children Living in Poverty

The Governor’s Executive Budget includes funding for a number of programs that provide financial support for some of Michigan’s most vulnerable residents.

- The Family Independence Program, funded at \$374 million, provides basic cash assistance for 77,640 low-income families.
- Federal funding of \$1.2 billion provides food assistance for over 526,000 families.

“With the economy sitting in a prolonged slump, Michigan must preserve a social safety net that provides for children and adults who follow the rules and are trying to get off state assistance.”

Detroit Free Press, January 13, 2006

- Energy and weatherization assistance funding of \$136.6 million helps over 450,000 households pay their home heating bills.
- The child support program, operated in concert with local prosecutors and friends of the court, secures child support for children throughout the state. The Governor's budget includes total funding of \$265 million for the child support program, including \$172 million for local friends of the court, \$70 million for technology systems, and \$23 million for state administration of the program.

Reducing the Number of Children in the Child Welfare System

There are over 19,000 children in Michigan's foster care program. These children and their families receive a range of services designed to protect children in their own homes and in out-of-home settings. The foster care program, funded at \$207 million, provides basic care and supervision until children are returned home or adopted. When children cannot be safely returned home, the adoption program and the adoption subsidy program assist in placing children in adoptive homes and in supporting those who are adopted. The Governor's budget funds the adoption subsidy program at \$234 million for fiscal year 2007.

The Governor also recommends a full complement of community-based services for families and children. These services, funded at \$74 million, are designed to strengthen families and prevent child abuse and neglect.

Encouraging Healthy Lifestyles

The Governor's budget recommendation includes over \$275 million for programs that encourage and promote good health habits. These programs build on the Michigan Surgeon General's recommendations with a focus on reducing obesity and preventing smoking. Available throughout the state, prevention programs include disease prevention, smoking cessation/prevention, arthritis management, hearing and vision screening, family planning, immunization, nutrition, cardiovascular health, infant mortality, physical fitness, and maternal/child health. Prevention programs improve the health of individual citizens and reduce health care costs associated with chronic diseases.

The Governor's recommendation also funds a variety of services that protect vulnerable citizens from exploitation and abuse, help maintain them in the community and assist them in becoming economically and socially independent.

- Nearly \$700 million is allocated to provide a range of financial and social services including child and adult protective services, cash assistance, food assistance and other social services programs for adults and families, including an additional \$3.7 million to increase the number of children's protective services staff.
- Funding of \$17 million supports domestic violence and rape prevention services.
- A wide variety of programs for seniors, including nutrition, health education, and employment assistance are funded at \$94 million through the Office of Services to the Aging.

- Home and community based waiver programs that provide an in-home alternative to nursing home care are funded at \$100 million and will serve 7,100 adults.
- In addition, funding of \$180 million for the Home Help program supports independent living for those who are aged, blind or disabled.

HOMETOWN SECURITY

Since taking office, Governor Granholm has invested in the safety and security of Michigan families. Protection of Michigan's residents is a top priority and a core function of state government. Hometown security requires a balanced spectrum of state activities from street-level public safety programs, to military preparedness of the Michigan National Guard, to the incarceration of dangerous felons. To protect our citizens and keep Michigan communities safer, the Governor's Hometown Security budget for fiscal year 2007 recommends total funding of \$2.9 billion, of which \$2.3 billion is general fund.

Reducing Crime in Michigan

Crime reduction is a key strategy to protect the people of Michigan. State troopers provide front-line assistance to protect the public. Troopers are assigned to 64 posts spread throughout the state and provide around-the-clock law enforcement. In addition, fugitive felon sweeps, like those performed under Project S.A.F.E., are conducted to rid the streets of violent offenders who pose a threat to our families. The Governor's fiscal year 2007 budget includes \$128.9 million to support nearly 1,100 state troopers providing public protection services to Michigan residents.

A good crime reduction strategy must also include professional forensic science tools and strong criminal investigation assets as well. Governor Granholm's budget invests \$27.9 million in the Michigan State Police forensic science program. Services are provided to all criminal justice agencies in the state for drug analysis, fingerprints, explosives, crime scene investigations, and DNA analysis. DNA analysis provides an increasing number of success stories every year as more cases are solved and offenders are arrested before they can commit additional crimes.

Crime reduction is more than front-line troopers, forensics, and criminal investigations. Basic academic and vocational training for prisoners, as well as substance abuse treatment, also help reduce crime by assisting parolees in making a successful transition back into the community. Over half of the offenders that enter the prison system do so without a G.E.D. or high school diploma. Ninety percent of all state inmates will eventually be returned to the community. By providing basic academic and vocational training, the state invests in the successful reintegration of offenders in the community to prevent them from returning to prison. The Governor's budget includes funding of \$42.6 million for these educational programs and \$18.3 million for substance abuse testing and treatment.

Operating Safe and Secure Prisons

The Governor's fiscal year 2007 budget recommends \$1.3 billion to operate a safe and secure prison system that houses a population of 49,300 inmates. The Governor is committed to incarcerating those that pose a threat to citizens and investing in initiatives that reduce recidivism rates.

The Governor's budget includes \$12 million to support the Michigan Prisoner Re-entry Initiative, which is a comprehensive approach to reduce parolee recidivism rates by providing support services such as housing assistance, substance abuse services, employment services, and mental health treatment.

Results show that these investment strategies are working. For the first time in 21 years, there is no new funding allocated in the budget for additional prison beds.

"These are solid ideas (re-entry initiatives) with good track records around the country. The legislature ought to support them. Re-entry programs are not soft-on-crime measures. They are practical efforts to reduce crime"

Detroit Free Press, January 17, 2005

Improving Homeland Security

The Governor's budget includes \$138.4 million in federal Homeland Security funding, most of which will be directed to local first responders, who play a vital role in our state's domestic preparedness strategy. Local communities will receive \$120 million in fiscal year 2007 which they can use to develop and implement local security plans.

The Department of Military and Veterans Affairs also plays a key role in the protection of our citizens. Over \$38 million is included in the Governor's fiscal year 2007 budget for military preparedness activities. Five major training sites and numerous support facilities are maintained by the Michigan Army and Air National Guard.

Improving Public Safety

A wide range of activities support the state's strategy to improve overall public safety. The Governor's recommendation includes \$5.2 million for the Law Enforcement Information Network (LEIN), which provides instant access to information for criminal justice agencies throughout the state. The budget includes \$1.2 million for the state's Automated Fingerprint Identification System (AFIS), which speeds retrieval of critical records and aids in solving crimes. The Sex Offender Registry, funded at \$495,000, provides information to the public to help improve community safety.

The Michigan Commission on Law Enforcement Standards establishes standards for the selection, employment, training, education, and licensing of all law enforcement officers in the state. The Governor's budget maintains \$9.1 million for training grants to local law enforcement agencies as well as criminal justice training grants to law enforcement officers, prosecutors, defense attorneys, and corrections officers.

The Governor's budget also includes \$10.9 million for fire protection grants to local communities, continuing the current level of support for these important fire safety services.

The Department of Corrections also plays a large role in improving overall public safety through the supervision of offenders in the community. The budget invests \$167.4 million to supervise 70,000 parolees and felony probationers in the community. Parole and probation officers monitor offender behavior, make home visits, enforce parole board and court orders, and verify offender employment.

NATURAL ENVIRONMENT

Michigan's abundant natural resources and its scenic beauty are integral parts of the good life we enjoy in the Great Lakes State. In today's competitive economy, that quality of life gives Michigan a unique edge when it comes to attracting individuals and investors to our state.

Michigan has 11,000 inland lakes, 36,000 miles of rivers and streams, and 3,000 miles of freshwater shoreline. Numerous park and recreation areas enable Michigan's residents and visitors to enjoy outdoor recreation in a fun and safe environment on public lands and waters. Michigan farmlands also yield several agricultural products which rank first nationally in the state's second largest industry – agriculture production.

The Governor's proposed budget for fiscal year 2007 recommends total environmental funding of \$851.6 million, of which \$140.2 million is general fund.

Making Michigan's Natural Resources Cleaner and Safer

Protecting and enhancing the water quality of Michigan's lakes, rivers and streams is accomplished through a variety of activities performed by the Department of Environmental Quality including controlling aquatic nuisance species; establishing water quality standards; assessing water quality; and issuing permits to regulate the discharge of industrial and municipal wastewaters.

Low-interest loans are provided to local units of government for waste water and drinking water infrastructure improvement projects. The Governor's fiscal year 2007 budget includes \$107 million in federal and state resources to support the Water Pollution Control and Drinking Water Revolving Fund programs. In addition, the budget recommendation includes \$45.1 million for water quality monitoring and assessment activities.

To protect public health and support redevelopment, \$61.2 million is recommended for cleanup activities at contaminated sites, including \$20.1 million in Refined Petroleum Fund revenues to remove leaking underground storage tanks.

Rather than focusing solely on cleaning up contamination after it occurs, the Department of Environmental Quality also engages in various pollution prevention programs. The Governor's recommended budget includes \$5.7 million to collaborate with local communities and businesses to develop and implement pollution prevention strategies at

the local level. An equal amount is invested in the Department of Agriculture to provide education, technical assistance and cost sharing for agricultural producers to implement pollution prevention practices.

Protecting and Preserving Unique Lands

Michigan is responsible for managing almost 4 million acres of forests – the largest state forest system in the nation – and providing fire protection for over 20 million acres of forest and undeveloped lands. The state recently implemented an aggressive certification effort for its forests, which will significantly aid in the management of state forest lands. The fiscal year 2007 Executive Budget Recommendation provides \$42.8 million to support forest management and forest fire protection efforts within the Department of Natural Resources.

The protection of precious land parcels integral to the state's ecosystem include wetlands, deer and turkey habitats, and forestlands and is made possible through acquisitions and conservation easements utilizing the Michigan Natural Resources Trust Fund and other dedicated revenue sources. The Governor's fiscal year 2006 supplemental recommendation includes \$37.3 million for land acquisitions and public outdoor recreation projects funded by the Michigan Natural Resources Trust Fund, and \$2 million is included in the 2007 recommendation for wetland habitat acquisitions.

The state also purchases development rights on unique lands to preserve precious green spaces for future generations. The 2007 budget includes almost \$1 million for operation of the Farmland and Open Space Preservation program, as well as \$3.75 million for the purchase of farmland development rights.

Enhancing Outdoor Recreation

Michigan maintains a park system consisting of 97 parks comprised of over 275,000 acres. In addition, 25 million park visitors participate in state parks and recreation programs each year, contributing more than \$460 million annually to the state's economy. These programs include snowmobile and cross-country ski activities, camping, boating and hiking. The fiscal year 2007 Executive Recommendation includes \$81.1 million to manage the state's various recreational programs and park system.

The Capital Outlay budget invests \$22 million, partially funded by the issuance of state bonds, in critical infrastructure improvements in state parks such as improving campsites, investing in nature centers and upgrading camp stores. An additional \$1.4 million will be made available for improvements in forest area recreation facilities. Also recommended is \$14.9 million to support improvements in harbors and boating access sites throughout the state, helping to ensure our rich boating heritage for all Michigan public waterways.

"Michigan's park system is among the best in the nation, befitting a state that is one of the most beautiful. Location of the parks, their services and the quality of their DNR staffs and facilities have sustained their popularity for decades."

Grand Rapids Press, January 13, 2006

Controlling Animal and Plant Diseases

Eradicating infectious diseases from our livestock and wildlife populations continues to be a priority of the state. The Governor recommends funding of \$11.8 million to monitor animal diseases throughout the state, including \$7.6 million for bovine tuberculosis (TB) monitoring and testing of cattle herds and deer.

The Governor's higher education budget maintains \$61.8 million in support for the agricultural programs at Michigan State University, including the Agricultural Experiment Station, Cooperative Extension Service, and Project GREEN. Project GREEN (Generating Research and Extension to Meet Economic and Environmental Needs) is a joint initiative of the Department of Agriculture and Michigan State University to address critical regulatory, food safety, economic, and environmental problems that challenge plant-based agricultural industries.

Plant pest control efforts include the inspection and certification of nursery stock, plants and plant products, and the monitoring of incoming commodities to the state. Included in this effort is the eradication of the Emerald Ash Borer, an exotic pest which has placed Michigan's ash tree inventory at risk. The Governor's 2007 budget includes \$20.6 million for plant and pest control efforts.

BETTER GOVERNMENT

Making government in Michigan more cost effective and efficient is a high priority for Governor Granholm. Better government in Michigan means keeping the checkbook balanced; providing fast and friendly service to all citizens; cutting red tape; and prudently managing the workplaces, tools and equipment of state government. In fact, *Governing* magazine recently named Michigan one of the best managed states in the country.

This year the budget contains \$2.4 billion, \$392 million general fund to achieve these goals. The Governor's funding priorities reflect her desire to protect core services to citizens and state government; identify and implement administrative efficiencies to reduce the cost of state services; and improve services through the use of technology.

Maintaining Basic Services to Citizens and State Government

Local revenue sharing provides unrestricted financial support to almost 1,800 units of local government, allowing them to determine how to most effectively target these financial resources to meet local needs. Local governments use this money for police services, fire protection and other critical local needs. For fiscal year 2007, the Governor maintains support for local revenue sharing at the current year level. This financial support consists of both constitutional and statutory payments. The constitutional obligation for cities, villages and townships, disbursed on a per capita basis is recommended at \$708.1 million, while the remaining statutory payment is \$405.3 million. An additional \$859,400 is recommended for cities, villages and townships that have certified population growth of 10 percent or more since the 2000 census.

Administration of the state tax system, including customer contact, tax audit and tax processing activities, is recommended for funding of \$171.1 million for fiscal year 2007. Automation improvements in recent years make filing taxes and receiving a refund even faster and easier. Taxpayers filing electronically through the state's *e-file* program can receive their refunds in seven to ten days.

The Governor's budget spends \$14 million to investigate and resolve discrimination complaints to ensuring that Michigan is more inclusive and provides timely resolution to civil rights complaints.

Improving Services through the Use of Technology and Service Consolidation

The Department of Information Technology, which streamlines and consolidates computer operations and equipment for the state, is recommended for funding of \$378.4 million in fiscal year 2007. Included in the Governor's recommendation are several initiatives to improve services to citizens through technology. An additional \$5.5 million continues development of the integrated human services delivery system in the Department of Human Services. The Vision ORS (Office of Retirement Services) project, designed to improve services to state retirees and retired teachers, is funded at \$8.8 million in fiscal year 2007.

The Human Resources Call Center, created in the Department of Civil Services in 2005, streamlines human resource operations throughout state government. The Governor recommends continuation of this human resources optimization initiative, saving \$1.2 million in 2007, for total cumulative savings of \$13 million. This multi-year project is estimated to save \$25 million by 2009.

LOOKING FORWARD TO SECURE OUR FUTURE

This fiscal year 2007 budget continues Governor Granholm's commitment to fiscal integrity in Michigan. With this budget she will have resolved more than \$4 billion in budget shortfalls since taking office and reduced state spending more than any governor before her. Through fiscal prudence, Governor Granholm has been able to make important new investments that are critical to Michigan's future without a general tax increase.

This budget supports the vision Governor Granholm articulated in her 2006 State of the State address. The new investments will improve educational services throughout the state, make health care more accessible and affordable, and create the jobs Michigan needs, both today and tomorrow.

This budget is balanced. It maintains both Michigan's need for a competitive tax structure and the high quality of life that has brought generations of hard working people to our state. It preserves the qualities that make the Great Lakes State an ideal place to live, work and do business. But most importantly, it is a budget that will help us create a better Michigan.

Goal Strategies and Indicators of Success

Jobs and the Economy	B	1
Education	B	2
Environment	B	3
Health and Human Services	B	4
Hometown Security	B	5
Better Government	B	6



JOBS AND THE ECONOMY

Goal: Sustain and Create Business Investment and Jobs in Michigan

Strategies to Achieve Goal

- Retain and strengthen Michigan's existing manufacturing, agriculture and tourism base by creating new jobs.
- Increase the number of non-auto related jobs in Michigan.
- Provide more job training to Michigan workers focused on career opportunities of the future.
- Continue to grow Michigan's core communities as diverse, safe and healthy talent centers.
- Use the power of technology to link every community to economic opportunity by making high-speed Internet available to all Michigan households and businesses.
- Keep Michigan's people and commerce moving by improving our roads and bridges and by increasing highway safety.

Indicators of Success

- More jobs created and retained in Michigan
- More business start-ups and new capital investment in Michigan
- Increased personal income levels for Michigan citizens
- Increased numbers of highly trained and skilled workers
- Increased tourism in Michigan
- Better roads and highways



EDUCATION

Goal: Improve Student Achievement

Strategies to Achieve Goal

- Make quality early childhood education and child care programs available to all Michigan children.
- Increase the number of Michigan schools achieving significant progress in mathematics, reading and writing, attendance, and graduation rates.
- Increase the number of high school students who qualify for college or advanced study.
- Double the number of students who attain college degrees and other marketable credentials.
- Improve access to lifelong learning opportunities for all citizens.
- Improve access to a safe and supportive learning environment by promoting positive student behaviors and by increasing participation in health and nutrition programs.

Indicators of Success

- Improved student test scores
- Reduced gaps in student achievement
- Increased participation in rigorous high school curriculum
- Increased number of high school students entering college
- Reduced college dropout rates
- Increased number of college degrees/credentials



ENVIRONMENT

Goal: Enhance the Quality of Michigan's Natural Environment

Strategies to Achieve Goal

- Make the Great Lakes and Michigan's natural resources cleaner, safer and healthier.
- Protect and preserve more open space, farmland, forestland, and public land.
- Prevent, control or eradicate plant and animal diseases and pests that threaten our health, environment and economy.
- In order to foster both environmental performance and economic growth, reduce the time it takes to issue environmental permits.
- Enhance outdoor recreation and increase use of state facilities, parks and state sponsored recreation.

Indicators of Success

- Improved trends in fish and wildlife populations
- Increase in acres of farm, forest and public land protected from development
- Reduction in plant and animal diseases
- Increased use of Michigan's state parks and forests
- Improved trends in air and water quality
- Faster issuance of environmental permits without compromising standards



HEALTH AND HUMAN SERVICES

Goal: Make Michigan's People Healthier and Our Families Stronger

Strategies to Achieve Goal

- Increase the number of insured children and preserve existing health coverage for adults.
- Provide medical, mental health, substance abuse and long-term care services to low income children, families, the elderly, veterans and the disabled.
- Reduce the number of children living in poverty.
- Reduce the number of children in the child welfare system.
- Prolong life and protect the public health by promoting the State Surgeon General's "Prescription for a Healthier Michigan" to reduce obesity and prevent teen smoking.
- Ensure that Michigan's vulnerable citizens have access to prevention and early intervention services.
- Improve the delivery of health and human services by lowering overall costs, improving technology and streamlining the way work gets done.
- Improve Michigan's patient safety and health care by increasing the number of health care providers engaged in quality improvement programs.

Indicators of Success

- Fewer children living in poverty
- Fewer children placed in out-of-home care
- Increased percentage of children with health coverage
- Reduced cigarette usage among youth and adults
- Improved health indicators for Michigan residents
- Lower infant mortality rates
- Improved access to quality health care



HOMETOWN SECURITY

Goal: Protect our Citizens and Make Michigan's Communities Safer

Strategies to Achieve Goal

- Reduce crime in Michigan.
- Protect Michigan's citizens and communities by operating safe and secure prisons.
- Improve homeland security by integrating resources from the State Police, local law enforcement, the Army/ Air National Guard, and other agencies to ensure an effective and coordinated response to threats.
- Improve overall public safety by reducing serious traffic accidents; improving parolee supervision in the community; and upgrading Michigan's criminal justice information systems.

Indicators of Success

- Reduction in traffic deaths and serious injuries
- Reduction in serious crime
- Fewer parolees returned to prison because they commit additional crimes
- Improved state and local preparation to deter and respond to disasters or terrorist acts
- More crimes solved and offenders arrested
- More offenders successfully treated in community settings



BETTER GOVERNMENT

Goal: Make Government in Michigan More Cost Effective and Efficient

Strategies to Achieve Goal

- Keep the checkbook balanced, put money away for the future, and demand results for every taxpayer dollar we spend.
- Cut red tape in state government by streamlining services and implementing innovative technology to reduce time, mistakes and costs.
- Frugally manage the workplaces, tools and equipment used to run state government and continue to cut government costs.
- Offer fast and friendly service to all citizens, whether online or face-to-face, by increasing the number of online services and developing a citizen satisfaction survey to measure performance.
- Make state government both a great place to work and a place that produces great work by ensuring our government is diverse, inclusive and representative of our population; make sure state employees have the tools necessary to do their jobs - all while lowering overall costs.
- Make Michigan more inclusive and equitable for all residents in employment, education, health and housing by ensuring timely resolution to civil rights complaints and training our government workforce.
- Maintain and improve strong, collaborative relationships with federal agencies, local governments, and the private sector via shared government services.

Indicators of Success

- A positive balance in the state's books
- Reduced expenditures for contractual services
- Reduced energy consumption in state buildings
- Increased number of on-line services for citizens
- Lower employee turnover rates

Spending by Goal

BUDGETING FOR OUTCOMES FOR FISCAL YEAR 2007

GOAL/STRATEGY	FY06 GF/GP	FY06 All Funds	Change GF/GP	Change All Funds	FY07 GF/GP	FY07 All Funds
SUSTAIN AND CREATE BUSINESS INVESTMENT AND JOBS IN MICHIGAN						
Retain and strengthen Michigan's existing manufacturing, agriculture and tourism base by creating new jobs.	36,663.9	419,163.1	5,319.0	20,350.1	41,982.9	439,513.2
Increase the number of non-auto related jobs in Michigan.	174.7	11,441.8	(174.7)	(134.5)	0.0	11,307.3
Provide more job training to Michigan workers focused on career opportunities of the future.	52,275.4	1,035,475.3	6,966.3	(386,740.3)	59,241.7	648,735.0
Continue to grow Michigan's core communities as diverse, safe and healthy talent centers.	29,546.4	329,657.9	1,072.6	12,216.5	30,619.0	341,874.4
Use the power of technology to link every community to economic opportunity by making high-speed Internet available to all Michigan households and businesses.	2,268.0	4,372.1	362.0	(700.9)	2,630.0	3,671.2
Keep Michigan's people and commerce moving by improving our roads and bridges and by increasing highway safety.	0.0	3,569,514.3	0.0	73,352.3	0.0	3,642,866.6
GOAL TOTAL	\$120,928.4	\$5,369,624.5	\$13,545.2	(\$281,656.8)	\$134,473.6	\$5,087,967.7
IMPROVE STUDENT ACHIEVEMENT						
Make quality early childhood education and care programs available to all Michigan children.	187,201.3	593,409.0	(5,236.9)	36,274.7	181,964.4	629,683.7
Increase the number of Michigan schools achieving significant progress in mathematics, reading and writing, attendance, and graduation rates.	53,317.7	12,274,950.0	(28,547.9)	274,774.9	24,769.8	12,549,724.9
Increase the number of high school students who qualify for college or advanced study programs.	1,938.9	79,256.7	1,001.2	(125.8)	2,940.1	79,130.9
Double the number of students who attain college degrees and other marketable credentials.	1,970,435.8	2,166,652.7	5,725.2	5,960.9	1,976,161.0	2,172,613.6
Improve access to lifelong learning opportunities for all citizens.	29,357.4	54,284.2	(753.1)	4,548.0	28,604.3	58,832.2
Improve access to a safe and supportive learning environment by promoting positive student behavior and by increasing participation in Health and nutrition programs.	9,980.7	371,498.3	(9,614.9)	22,579.4	365.8	394,077.7
GOAL TOTAL	\$2,252,231.8	\$15,540,050.9	(\$37,426.4)	\$344,012.1	\$2,214,805.4	\$15,884,063.0

BUDGETING FOR OUTCOMES FOR FISCAL YEAR 2007

ENHANCE THE QUALITY OF MICHIGAN'S NATURAL ENVIRONMENT

Make the Great Lakes and Michigan's natural resources cleaner, safer and healthier.	64,137.5	613,211.7	15,946.7	(63,030.1)	80,084.2	550,181.7
Protect and preserve more open space, farmland, forestland, and public land.	0.0	17,321.0	3.6	(3,506.2)	3.6	13,814.8
Prevent, control or eradicate plant and animal diseases and pests that threaten our health, environment and economy.	12,602.9	48,922.2	238.5	(9,413.0)	12,841.4	39,509.2
In order to foster both environmental performance and economic growth, reduce the time it takes to issue environmental permits.	7,465.3	45,425.4	255.7	1,602.6	7,721.0	47,028.0
Enhance outdoor recreation and increase use of state facilities, parks and state sponsored recreation.	31,513.1	203,755.4	8,036.3	(2,715.0)	39,549.4	201,040.4

GOAL TOTAL	\$115,718.8	\$928,635.7	\$24,480.8	(\$77,061.7)	\$140,199.6	\$851,574.1
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MAKE GOVERNMENT IN MICHIGAN MORE COST EFFECTIVE AND EFFICIENT

Keep the checkbook balanced, put money away for the future and demand results for every taxpayer dollar we spend by implementing an improved budget process.	206,659.3	351,900.7	2,347.5	8,631.2	208,906.8	360,431.9
Cut the red tape in state government by streamlining services and implementing innovative technology to reduce time, mistakes and costs.	18,260.6	70,053.2	1,017.0	5,075.8	19,277.6	75,129.0
Frugally manage the workplaces, tools and equipment used to run state government and continue to cut government costs.	8,765.6	181,818.7	(4,561.6)	(2,289.7)	4,203.8	179,528.8
Offer fast and friendly service to all citizens, whether online or face-to-face, by increasing the number of online services and developing a citizen satisfaction survey to measure performance.	0.0	62,595.1	0.0	4,096.6	0.0	66,691.7
Make state government both a great place to work and a place that produces great work by ensuring our government is diverse, inclusive and representative of our population; make sure state employees have the tools necessary to do their jobs - all while lowering overall costs.	21,464.1	252,033.4	5,460.4	8,246.9	26,924.5	260,280.3
Make Michigan more inclusive and equitable for all residents in employment, education, health and housing by insuring timely resolution to civil rights complaints and training our government workforce.	12,108.7	13,158.5	345.3	861.7	12,454.0	14,020.2
Maintain and improve strong, collaborative relationships with federal agencies, local governments, and the private sector via shared government services.	129,819.9	1,405,551.4	(9,473.4)	(8,286.4)	120,346.5	1,397,265.0

GOAL TOTAL	\$397,078.2	\$2,337,111.0	(\$4,864.8)	\$16,336.1	\$392,113.2	\$2,353,346.9
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BUDGETING FOR OUTCOMES FOR FISCAL YEAR 2007

MAKE MICHIGAN'S PEOPLE HEALTHIER AND OUR FAMILIES STRONGER

Increase the number of insured children and preserve existing health coverage for adults.	1,313.4	5,315.6	0.0	200,187.5	1,313.4	205,503.1
Provide medical, mental health, substance abuse and long-term care services to low-income children, families, the elderly, veterans and the disabled.	2,839,713.2	9,703,863.2	49,211.2	716,885.6	2,888,924.4	10,420,748.8
Reduce the number of children living in poverty.	445,603.0	2,425,371.3	97,662.1	21,235.9	543,265.1	2,446,607.2
Reduce the number of children in the child welfare system.	307,318.7	967,495.5	4,036.4	16,060.4	311,355.1	983,555.9
Prolong life and protect the public health by promoting the State Surgeon General's "Prescription for a Healthier Michigan" to reduce obesity and prevent teen smoking.	25,913.3	155,410.8	1,635.1	5,474.0	27,548.4	160,884.8
Ensure that Michigan's vulnerable citizens have access to prevention and early intervention services.	128,158.5	563,746.7	174.8	7,188.5	128,333.3	570,935.2
Improve the delivery of health and human services by lowering overall costs, improving technology and streamlining the way work gets done.	154,286.4	678,548.3	14,641.9	1,768.9	168,928.3	680,317.2
Improve Michigan's patient safety and health care by increasing the number of health care providers engaged in quality improvement programs.	5,955.0	43,413.0	439.4	5,992.9	6,394.4	49,405.9

GOAL TOTAL	\$3,908,261.5	\$14,543,164.4	\$167,800.9	\$974,793.7	\$4,076,062.4	\$15,517,958.1
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PROTECT OUR CITIZEN'S AND MAKE MICHIGAN'S COMMUNITIES SAFER

Reduce crime in Michigan.	321,683.8	501,568.3	23,555.9	26,057.8	345,239.7	527,626.1
Protect Michigan's citizens and communities by operating safe and secure prisons.	1,531,385.1	1,540,847.0	73,692.0	76,368.7	1,605,077.1	1,617,215.7
Improve homeland security by integrating resources from the State Police, local law enforcement, the Army/Air National Guard, and other agencies to insure an effective and coordinated response to threats.	15,919.8	244,616.5	558.4	(42,201.0)	16,478.2	202,415.5
Improve overall public safety by reducing serious traffic accidents; improving parolee supervision in the community; and upgrading Michigan's criminal justice information systems.	160,765.7	267,932.5	7,519.8	17,051.8	168,285.5	284,984.3
Judiciary - Constitutionally Mandated Judicial Services	157,614.5	255,381.9	2,510.9	2,866.8	160,125.4	258,248.7

GOAL TOTAL	\$2,187,368.9	\$2,810,346.2	\$107,837.0	\$80,144.1	\$2,295,205.9	\$2,890,490.3
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TOTAL FY07 Recommendation	\$8,981,587.6	\$41,528,932.7	\$271,372.7	\$1,056,567.6	\$9,252,860.1	\$42,585,400.1
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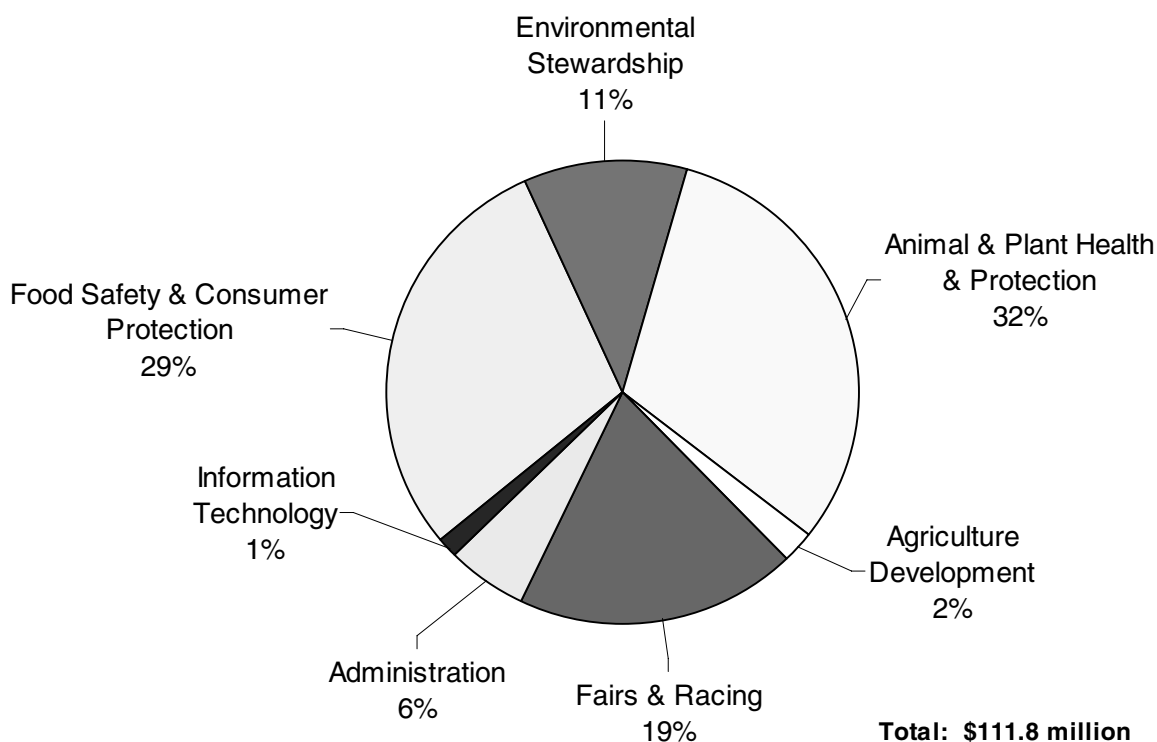
Department Detail

Agriculture	D	1
Attorney General	D	4
Capital Outlay	D	7
Civil Rights	D	11
Civil Service	D	13
Community Colleges	D	15
Community Health	D	17
Corrections	D	21
Education	D	25
Environmental Quality	D	27
Executive Office	D	31
Higher Education	D	33
History, Arts and Libraries	D	37
Human Services	D	39
Information Technology	D	43
Judiciary	D	45
Labor and Economic Growth	D	47
Legislature	D	51
Management and Budget	D	53
Military and Veterans Affairs	D	57
Natural Resources	D	59
Revenue Sharing	D	61
School Aid	D	63
State	D	67
State Police	D	69
Transportation	D	71
Treasury	D	75

Department of Agriculture

The Department of Agriculture provides services to the Michigan food and agriculture community through a variety of food safety, environmental protection, and animal and plant health programs. This budget reflects the Governor's continued commitment to ensuring a safe food supply while protecting the environment and the economic interests of the people of the state. *The Governor's proposed budget for fiscal year 2007 recommends total funding of \$111.8 million, of which \$30.1 million is general fund.*

Almost 30% of the Budget is Devoted to Food Safety and Consumer Protection



Budget Highlights - The fiscal year 2007 Executive Budget:

- Provides \$23.5 million to support the food safety program. Protecting the public health by ensuring a safe and wholesome food supply is the top priority of the Department of Agriculture.
- Continues Michigan's efforts to eradicate bovine tuberculosis from Michigan's livestock populations with total funding of \$5.6 million.
- Increases funding support for Conservation Reserve Enhancement Program (CREP) operations by \$350,000, bringing total funding to \$3.0 million. CREP implements environmentally sound practices on agricultural lands to improve water quality, prevent soil erosion, and enhance wildlife habitat.

- Maintains \$2.6 million to promote Michigan agricultural products to consumers and to new markets throughout the world. This is in addition to the \$5.0 million appropriation for agricultural development activities as part of the 21st Century Jobs Fund (P.A. 225 of 2005).
- Provides \$946,300 for the department to administer the Farmland and Open Space Preservation program. The cornerstone of this program provides an income tax credit and exemptions from various special assessments to farmland owners who agree to temporary restrictions and limited development of their land. A corresponding \$3.75 million in the Capital Outlay budget supports the purchase of farmland development rights.

"...the agri-food system (in Michigan) has an estimated economic impact of \$60.1 billion annually with employment estimated to be 1.05 million people. ...the agri-food system is a substantial component of Michigan's economy – likely second only to the automotive industry as a primary production sector."
- Contains \$1.4 million to support local conservation districts and \$1.0 million for the Cooperative Resources Management Initiative (CRMI). Michigan's local conservation districts work with land managers and conservation service providers to solve natural resource problems at a local level. CMRI is a partnership between the departments of Agriculture and Natural Resources, and local conservation districts, to assist private landowners with land management techniques.

"The Economic Impact and Potential of Michigan's Agri-Food System," H.C. Peterson, W. Knudson, G. Abate, Michigan State University, January 2006
- Increases funding support for environmental stewardship and groundwater protection by nearly \$570,000, bringing total funding to \$8.3 million.
- Provides \$878,000 to fund migrant labor housing inspections and construction grant support to farmers. This includes an increase of \$150,000 of federal support for additional inspection activities at dairy farms.
- Supports the Office of Racing Commissioner, various racing industry grants, and fairs with \$21.6 million.

Fiscal Year 2006 Supplemental

The Governor recommends a fiscal year 2006 supplemental of approximately \$1.1 million in federal support for various programs including groundwater stewardship, migrant labor housing, food security, and "mad cow" disease prevention efforts.

Fiscal Year 2007 Governor's Recommendation
Department of Agriculture
(\$ in Thousands)

	FY05 Appropriation	FY06 Current Law	FY07 Recommended
GF/GP	\$28,427.9	\$28,362.7	\$30,062.5
All Funds	\$126,608.3	\$119,178.4	\$111,785.0
	% Change - GF/GP	-0.2%	6.0%
	% Change - All Funds	-5.9%	-6.2%

Activities	GF/GP	All Funds
GOAL: ENHANCE THE QUALITY OF MICHIGAN'S NATURAL ENVIRONMENT		
Animal and Plant Health and Protection	\$3,456.2	\$22,444.8
Environmental Stewardship	\$6,256.2	\$18,168.1
Administration	\$4,151.8	\$5,385.0
Information Technology	\$287.8	\$1,537.8
GOAL: MAKE MICHIGAN'S PEOPLE HEALTHIER AND OUR FAMILIES STRONGER		
Food Safety & Security	\$9,754.2	\$23,537.4
Consumer Protection	\$1,428.6	\$3,421.9
Migrant Labor Housing	\$706.5	\$877.6
GOAL: SUSTAIN AND CREATE BUSINESS INVESTMENT AND JOBS IN MICHIGAN		
Fairs & Racing	\$0.0	\$17,408.7
Animal Industry	\$2,789.5	\$6,231.7
Agriculture Development	\$1,207.3	\$2,578.4
GOAL: PROTECT OUR CITIZENS AND MAKE MICHIGAN'S COMMUNITIES SAFER		
Racing Regulatory Enforcement	\$8.8	\$4,234.4
Motor Fuel Quality	\$15.6	\$3,582.1
Weights and Measures	\$0.0	\$2,377.1
Total FY 2007 Recommendation	\$30,062.5	\$111,785.0

Department of Attorney General

The Attorney General serves as the State of Michigan's chief law enforcement officer and upholds and preserves the state's legal interests. The Attorney General provides legal advice and representation to state officials and agencies and, when warranted, initiates legal action on behalf of the residents of Michigan. The Attorney General also receives and investigates consumer complaints, and enforces child support orders.

The Governor's proposed budget for fiscal year 2007 recommends total funding of \$68.3 million, of which \$32.9 million is general fund.

Budget Highlights - The fiscal year 2007 Executive Budget:

- Provides \$62.5 million in for Attorney General Operations, which funds over 300 attorneys who provide a wide array of legal services including alcohol and gambling enforcement; child abuse and neglect; health care fraud; consumer protection; and litigation on behalf of the state.
- Continues \$2.9 million for child support enforcement activities.
- Includes \$2.2 million for the Prosecuting Attorneys Coordinating Counsel (PACC), an autonomous agency that provides training, automation support, and legal research for local prosecutors throughout the state.

Fiscal Year 2006 Supplemental

The Governor recommends supplemental appropriations of \$1.0 million in federal funds for child support enforcement, Medicaid fraud control, and domestic violence prosecution.

<p align="center">Fiscal Year 2007 Governor's Recommendation Department of Attorney General (\$ in Thousands)</p>
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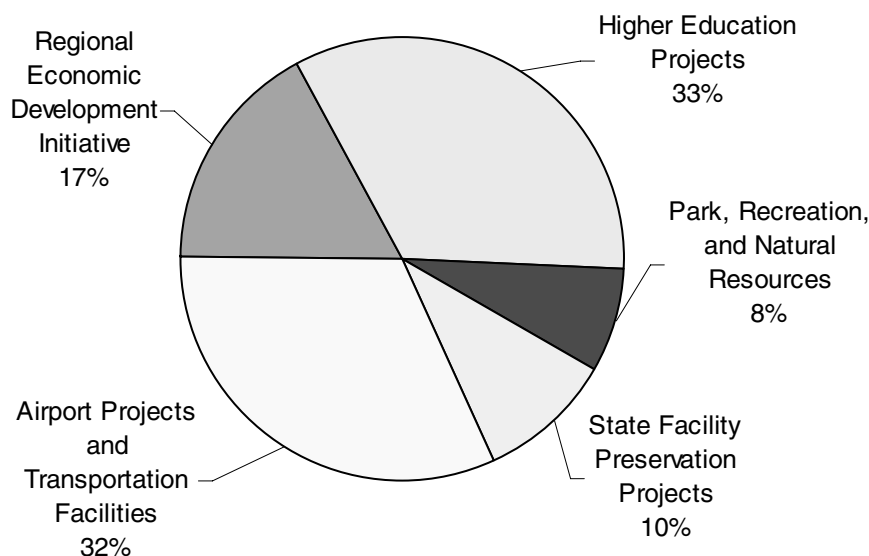
	FY05 Appropriation	FY06 Current Law	FY07 Recommended
GF/GP	\$31,052.9	\$31,501.2	\$32,896.0
All Funds	\$62,477.7	\$64,720.4	\$68,306.3
	% Change - GF/GP	1.4%	4.4%
	% Change - All Funds	3.6%	5.5%

Activities	GF/GP	All Funds
GOAL: MAKE GOVERNMENT IN MICHIGAN MORE COST EFFECTIVE AND EFFICIENT		
Attorney General Operations	\$30,065.9	\$62,529.2
Child Support Enforcement	\$812.2	\$2,851.5
Prosecuting Attorneys Coordinating Council	\$1,278.2	\$2,185.9
Information Technology	\$739.7	\$739.7
Total FY 2007 Recommendation	\$32,896.0	\$68,306.3

Capital Outlay

The Governor's recommended budget for capital outlay creates incentives for regional economic development, provides for capital projects at five universities and fourteen community colleges, and targets improvements to state parks and state facility preservation projects across the state. The Governor's capital investment strategy creates high-paying construction jobs and focuses on improvements that will protect, preserve and expand key infrastructure assets that fuel Michigan's economy. *The Governor's proposed budget for fiscal year 2007 recommends total funding of \$216 million, of which \$2,200 is general fund.*

Capital Investment in Michigan's Future



Budget Highlights - The fiscal year 2007 Executive Budget:

- Recommends building projects at five universities, at an estimated cost of \$148.6 million (\$103.2 million state share). With this recommendation, all fifteen public universities will have received authorization for a capital project in the last two fiscal years, representing a total state commitment of \$249.5 million. The following university projects are recommended for planning by Governor Granholm in fiscal year 2007:

University	Project	Total Cost	State Share
Eastern Michigan University	Pray-Harold Building Renovations	\$52,695,000	\$39,521,300
Lake Superior State University	South Hall Reconstruction	\$10,000,000	\$7,500,000
Northern Michigan University	Cohodas Building Adaptive Renovations	\$15,584,000	\$11,688,000
Oakland University	Engineering Center	\$64,357,700	\$40,000,000
University of Michigan Dearborn	Teacher Preparation/Child Development Center	\$6,000,000	\$4,500,000

- Recommends building projects at fourteen community colleges at a total estimated cost of \$182.2 million (\$91.1 million state share). With this recommendation, all community colleges with a capital project request will have received authorization in the last two fiscal years, representing a total state commitment of \$144.8 million. The following community college projects are recommended by Governor Granholm in fiscal year 2007:

Colleges	Project	Total Cost	State Share
Delta College	Health & Wellness Programs - F Wing	\$11,299,000	\$5,649,500
Grand Rapids Community College	Lifelong Learning Center	\$21,900,000	\$10,950,000
Henry Ford Community College	Instructional Technology & Infra Improvements	\$12,160,000	\$6,080,000
Kalamazoo Valley Community College	Texas Township Campus Expansion	\$7,065,000	\$3,532,500
Kellogg Community College	C Classroom Building Renovations	\$4,000,000	\$2,000,000
Kirtland Community College	Campus-Wide Water Well System	\$1,005,000	\$502,500
Lake Michigan College	Emerging Technologies Initiative	\$7,000,000	\$3,500,000
Monroe County Community College	Classroom Technology & Enviro Upgrades	\$2,200,000	\$1,100,000
C.S. Mott Community College	Mott Library Renovations	\$8,200,000	\$4,100,000
Muskegon Community College	Museum/Art Project	\$10,000,000	\$5,000,000
North Central Michigan College	University and Science Center	\$16,323,700	\$8,161,800
Oakland Community College	Building A Addition/Renovations	\$32,065,000	\$16,032,500
St. Clair County Community College	Health and Human Services Center	\$7,000,000	\$3,500,000
Wayne County Community College	Northwest Campus Replacement	\$42,000,000	\$21,000,000

- Governor Granholm will support future higher education projects only if the project expands system capacity consistent with the recommendations of the Cherry Commission. Future capacity projects seeking state support also need to be focused on the economic diversification, commercialization and workforce needs of the Michigan economy.

Governor Granholm's fiscal year 2007 budget also:

- Commits \$100 million in State Building Authority financing for a Regional Economic Development Initiative providing an incentive for state and local partnership on economic development projects that will have a significant, long-term transforming impact on the economy of Michigan. Regional partnerships and commitment, diverse development opportunities, job creation, and potential statewide economic impact will be key selection criteria. A call for projects will be made to local governments and economic development organizations in the next few weeks, with proposals due in late spring prior to completion of legislative deliberations on the budget.
- Invests \$20 million in State Building Authority financing for facility improvements at Michigan's 97 state park and recreation areas. Maintaining Michigan's heritage for world class park and recreational facilities is key to Michigan's tourism industry. The Governor's budget also provides an additional \$2 million for state park repair and annual maintenance; \$14.9 million for harbor, marina, and boating access projects; \$1.4 million for forest area infrastructure and recreation improvements; and \$2 million for wetland habitat acquisition, all from federal and restricted resources. The recommendation also supports \$3.75 million for farmland and open space preservation efforts.

- Supports \$50 million in State Building Authority financing for ongoing state facility preservation projects – phase III. These funds augment \$2 million recommended from building occupancy charges for ongoing maintenance of state facilities throughout Michigan.
- Includes \$22.1 million in investments in Department of Transportation facilities, including a new Rosa L. Parks Integrated Transportation Campus in Detroit. This \$17.5 million project will integrate the transportation service center, intelligent transportation system command center, dispatch operations for the Michigan State Police, and lease space for the Suburban Mobility Authority for Regional Transportation (SMART). The recommendation also includes a \$2.5 million transportation service center in Oakland County, along with a new bituminous testing laboratory in Gladstone (\$400,000), an addition to the transportation service center in Bay City (\$550,000), and \$5.4 million for salt storage, washbay, institutional road, and maintenance projects.
- Dedicates \$162.9 million for airport and safety protection plan projects supported with federal, local, and state restricted revenues.

Fiscal Year 2006 Supplemental

The Governor's fiscal year 2006 supplemental for capital outlay includes \$37.3 million for twenty-two land acquisition and thirty development projects supported with revenues from the Michigan Natural Resources Trust Fund. This program provides financial assistance to local communities and the Department of Natural Resources to purchase lands for outdoor public recreation and the development of public outdoor recreation facilities such as trails, bike paths, parks, fishing piers, and camping facilities. Also included is \$1.5 million in federal funds from the U.S. Coast Guard for dredging and paving improvements at state boating access sites.

Fiscal Year 2007 Governor's Recommendation
Capital Outlay
(\$ in Thousands)

	FY05* Appropriation	FY06 Current Law	FY07 Recommended
GF/GP	\$195.4	\$4,401.9	\$2.2
All Funds	\$334,397.1	\$228,304.7	\$215,975.1
	% Change - GF/GP	2152.8%	-99.95%
	% Change - All Funds	-31.7%	-5.4%
Activities	GF/GP	All Funds	
GOAL: IMPROVE STUDENT ACHIEVEMENT			
Higher Education Planning Authorizations (Multiple)	\$1.8	\$1.8	
Higher Education Construction Authorization	\$0.1	\$0.1	
GOAL: SUSTAIN AND CREATE BUSINESS INVESTMENT AND JOBS IN MICHIGAN			
Airport Safety and Protection Plan Projects	\$0.0	\$162,902.6	
Transportation Building and Facility Projects	\$0.0	\$22,050.3	
Regional Economic Development Planning Authorization	\$0.1	\$0.1	
GOAL: ENHANCE THE QUALITY OF MICHIGAN'S NATURAL ENVIRONMENT			
Waterways Boating Program	\$0.0	\$14,870.0	
Farmland and Open Space Preservation	\$0.0	\$3,750.0	
State Parks Repair and Maintenance	\$0.0	\$2,000.0	
Statewide Wetland Acquisition	\$0.0	\$2,000.0	
Forest Roads, Bridges and Recreation Facilities	\$0.0	\$1,400.0	
State Park Improvement Construction Authorization	\$0.1	\$0.1	
GOAL: PROTECT OUR CITIZENS AND MAKE MICHIGAN'S COMMUNITIES SAFER			
Military Affairs Special Maintenance	\$0.0	\$5,000.0	
GOAL: MAKE GOVERNMENT IN MICHIGAN MORE COST EFFECTIVE AND EFFICIENT			
State Agency Special Maintenance	\$0.0	\$2,000.0	
State Facility Preservation Construction Authorization	\$0.1	\$0.1	
* Adjusted for program transfers.			
Total FY 2007 Recommendation		\$2.2	\$215,975.1

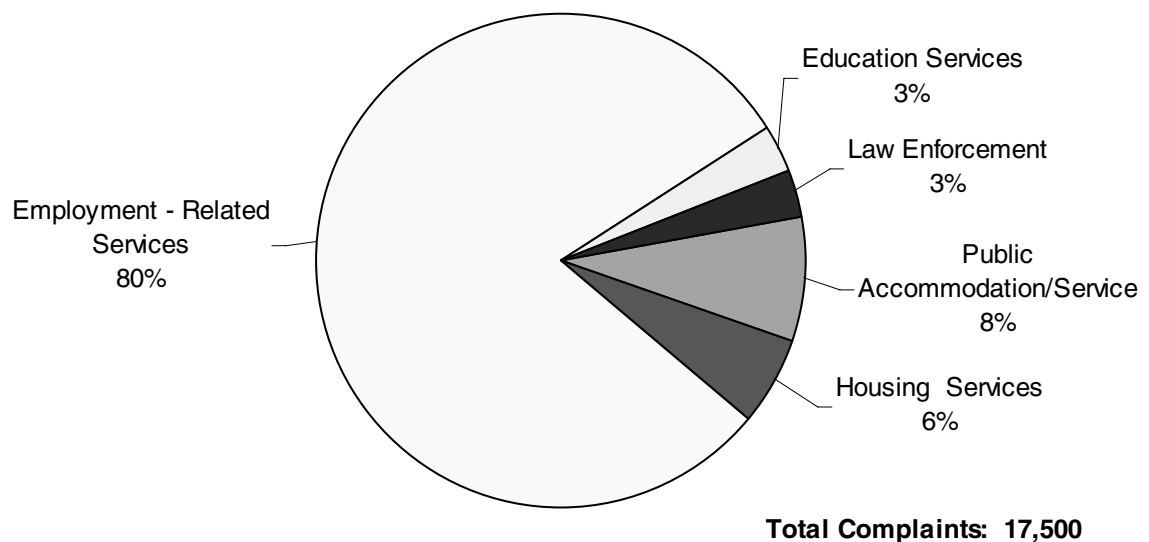
Department of Civil Rights

The Department of Civil Rights investigates and resolves discrimination complaints and works to prevent discrimination through educational programs that promote voluntary compliance with civil rights laws. The department administers programs for complaint investigation, outreach and education, mediation, partnerships, crisis intervention, and contract compliance. *The Governor's proposed budget for fiscal year 2007 recommends total funding of \$14.0 million, of which \$12.5 million is general fund.*

Budget Highlights - The fiscal year 2007 Executive Budget:

- Appropriates \$1.5 million in federal grant funding from the Department of Housing and Urban Development and the Equal Employment Opportunity Commission to investigate housing-related and employment-related cases.
- Includes \$7.8 million to support ten resolution teams and a centralized contract compliance unit to focus on early intervention and complaint investigations to address civil rights concerns raised by Michigan residents. The department will process over 17,500 complaints and provide diversity training to private and public community organizations through outreach and education.
- Provides \$100,000 for the Women's Commission to help address concerns that improve the quality of life for women and families in Michigan.

Most Civil Rights Complaints Involve Employment Issues



Fiscal Year 2007 Governor's Recommendation Department of Civil Rights (\$ in Thousands)	
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	FY05 Appropriation	FY06 Current Law	FY07 Recommended
GF/GP	\$11,759.0	\$12,108.7	\$12,454.0
All Funds	\$13,473.5	\$13,158.5	\$14,020.2
	% Change - GF/GP	3.0%	2.9%
	% Change - All Funds	-2.3%	6.5%

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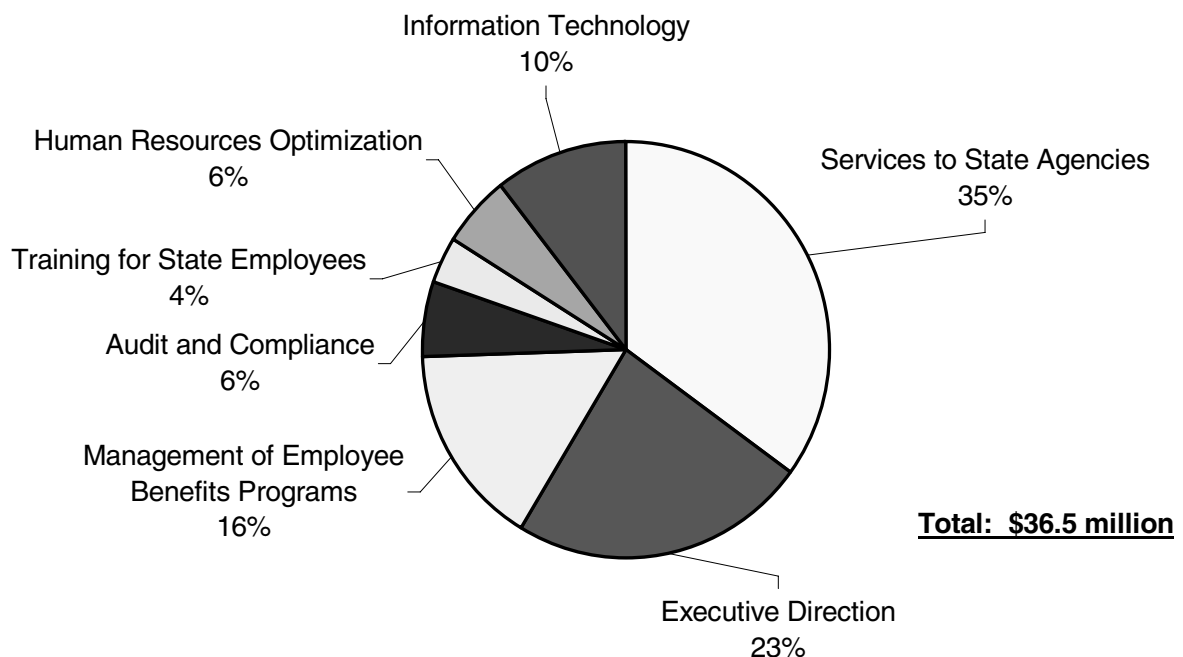
Department of Civil Service

The Department of Civil Service provides human resource management services to attract and retain an effective state workforce. The department implements policies, rules, and procedures adopted by the Civil Service Commission. The Commission oversees classification of positions, rates of compensation, candidate qualifications, personnel transactions, conditions of employment, and professional development training. *The Governor's proposed budget for fiscal year 2007 recommends total funding of \$36.5 million, of which \$7.0 million is general fund.*

Budget Highlights - The fiscal year 2007 Executive Budget:

- Continues the multi-year effort to consolidate and reduce Human Resources positions throughout the state. Through the Human Resources Optimization project the state will save \$1.2 million in fiscal year 2007, for total cumulative savings of \$13.0 million.
- Allocates \$12.8 million to provide customized human resource services to state agencies to help them attract quality employees.
- Provides \$5.8 million in restricted resources to oversee the employee health, dental, vision, and life insurance plans for over 55,000 active and 45,000 retired employees. Recent negotiations with health care providers reduced related insurance costs by \$10.6 million.
- Includes \$1.3 million to provide training to enhance the skills of state employees.

Civil Service Provides State Workforce Services



<p align="center">Fiscal Year 2007 Governor's Recommendation Department of Civil Service (\$ in Thousands)</p>	
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	FY05 Appropriation	FY06 Current Law	FY07 Recommended
GF/GP	\$7,672.1	\$7,102.4	\$6,972.2
All Funds	\$35,146.7	\$35,941.6	\$36,547.1
	% Change - GF/GP	-7.4%	-1.8%
	% Change - All Funds	2.3%	1.7%

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Community Colleges

Michigan's 28 community colleges each year provide over 400,000 residents with affordable access to postsecondary education opportunities. Average annual college tuition for a full-time student is approximately \$2,000. These institutions offer general academic courses for students who intend to transfer to a four-year institution, as well as instruction in basic skills, technical training, and customized job training to prepare students for immediate employment. They grant two-year associate degrees as well as one-year certificates and other credentials. *The Governor's proposed budget for fiscal year 2007 recommends \$287.1 million, all general fund.*

Budget Highlights - The fiscal year 2007 Community College budget:

- Provides \$280.6 million in state aid for the state's 28 community colleges to help keep the cost of a college education affordable. Funding is \$5.5 million more than the current year and supports an increase of two percent for each college.
- Maintains \$3.3 million for the At-Risk Student Success Program. This program provides services for approximately 54,900 students who are academically at-risk to help them overcome a wide range of obstacles to success.
- Includes \$3.2 million to reimburse colleges that lose property tax revenue as a result of the establishment of Renaissance Zones, an increase of \$300,000 from the current year.

In addition, the Capital Outlay budget supports community colleges by paying \$15.5 million in debt service obligations for recently constructed community college building projects. The Capital Outlay budget also contains authorizations for 14 additional community college projects.

The Michigan Strategic Fund budget includes \$9.8 million for Economic Development Job Training (EDJT) grants to provide job training assistance to Michigan businesses to improve the skills of current and future employees. Community colleges conduct 70 percent of the training funded by these grants.

Community College Operations (\$ in Thousands)	FY 2007
Alpena Community College	\$4,872.6
Bay de Noc Community College	4,710.9
Delta College	13,175.4
Glen Oaks Community College	2,210.4
Gogebic Community College	4,030.5
Grand Rapids Community College	16,572.5
Henry Ford Community College	20,196.7
Jackson Community College	11,180.0
Kalamazoo Valley Community College	11,407.3
Kellogg Community College	8,962.4
Kirtland Community College	2,720.1
Lake Michigan College	4,823.5
Lansing Community College	28,659.0
Macomb Community College	30,578.2
Mid Michigan Community College	4,079.1
Monroe County Community College	3,968.6
Montcalm Community College	2,870.6
C.S. Mott Community College	14,489.5
Muskegon Community College	8,245.6
North Central Michigan College	2,792.9
Northwestern Michigan College	8,413.9
Oakland Community College	19,289.1
St. Clair County Community College	6,461.0
Schoolcraft College	11,320.9
Southwestern Michigan College	6,077.2
Washtenaw Community College	11,506.2
Wayne County Community College	14,873.8
West Shore Community College	2,118.8
Total	\$280,606.7

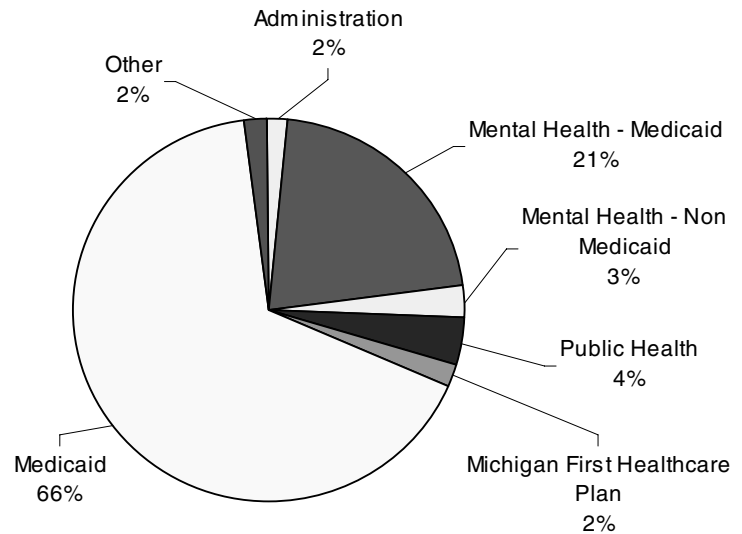
Fiscal Year 2007 Governor's Recommendation Community Colleges (\$ in Thousands)			
	FY05 Appropriation	FY06 Current Law	FY07 Recommended
GF/GP	\$294,268.2	\$281,327.4	\$287,129.4
All Funds	\$294,268.2	\$281,327.4	\$287,129.4
	% Change - GF/GP	-4.4%	2.1%
	% Change - All Funds	-4.4%	2.1%

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Department of Community Health

The Department of Community Health (DCH) is responsible for health policy and management of the state's publicly funded health care systems. These programs include Medicaid health coverage for those with limited incomes; mental health services for people who have a mental illness or developmental disability; services for individuals who need substance abuse treatment; and services provided through local public health operations. The department also provides services to promote the independence and preserve the dignity of Michigan's elderly through the Office of Services to the Aging. *The Governor's proposed budget for fiscal year 2007 recommends total funding of \$11.3 billion, of which \$3.0 billion is general fund.*

Medicaid Consumes Over 85% of DCH Budget



Total: \$11.3 billion

Budget Highlights - The fiscal year 2007 Executive Budget reflects a major new initiative and numerous cost savings policies.

Michigan First Healthcare Plan. The Governor's Executive Budget proposes a new health care initiative for families and individuals without employer-based health care. The Michigan First Healthcare Plan will provide access to affordable insurance coverage through a partnership with the health care industry and business community. Pending federal approval, Michigan will be able to earn \$200 million by identifying state and local dollars that are not being used to match federal dollars, but are currently spent on health care for low income individuals. Both the uninsured and small businesses will benefit as employees gain access to health insurance. The benefit package will be provided through managed care organizations and will include outpatient and inpatient services, mental health care, and prescription drugs. The Healthcare Plan will be phased-in beginning in fiscal year 2007 with a goal of providing health care for 550,000 people when fully implemented.

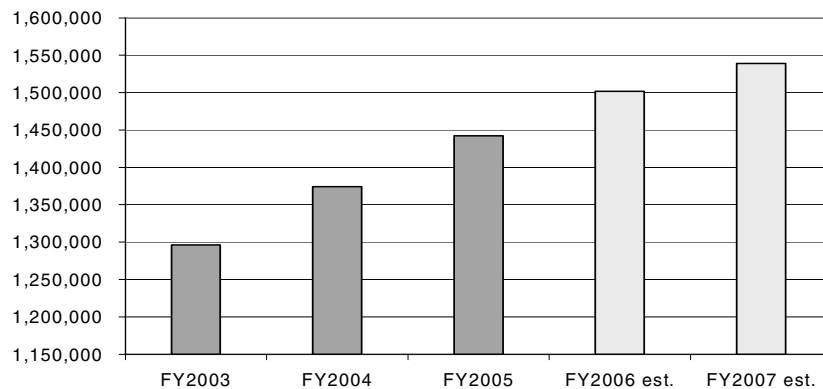
Medical Services. The total recommended fiscal year 2007 funding for the medical and long term care portions of the Medicaid program is \$7.3 billion, a 7 percent increase over fiscal year 2006. This funding allows the Michigan Medicaid program to provide essential health care services for over 1.5 million people each month.

- More than \$205 million has been added to the Medicaid budget for changes in the Medicaid caseload and the increased utilization of services.

- Health maintenance organizations (HMOs) provide quality health care for Medicaid recipients. The Governor's budget includes \$2.4 billion to reimburse HMO's for services to medicaid recipients. The federal government requires actuarially sound HMO rates and

Governor Granholm's budget includes \$55 million gross, \$24.1 million general fund, to meet this requirement.

Medicaid Serves Over 1.5 Million People



- The fiscal year 2007 budget provides \$1.1 billion for hospital reimbursements including a \$148 million net benefit to the hospital industry by increasing the rates paid to them by health maintenance organizations. This increase is funded through provider tax revenues. With federal approval and a change in statute, the state will also save \$29.8 million general fund.
- The fiscal year 2007 budget includes a \$43 million general fund savings from the implementation of federal pharmacy rebates for Medicaid health maintenance organizations. Through a federal waiver, these rebates will offset up to 30 percent of the estimated pharmacy spending of \$387.5 million.
- Savings of \$6.4 million general fund will be achieved by including anti-depressant medications and graduate medical education payments in the rates for Medicaid health maintenance organizations. Including both of these in HMO rates will generate state savings from the resulting increase in provider tax revenues.
- A joint effort between the departments of Community Health and Human Services will save \$8.6 million general fund in fiscal year 2007 by reducing the Medicaid eligibility error rate and removing ineligible recipients from the program.
- The Governor's Executive Budget recommends \$8.7 million general fund and \$20 million gross to increase wages for personal care workers who provide services that help aged and disabled individuals remain in their own homes. These workers provide home care to some of our most fragile residents yet are paid as little as \$5.15 per hour with no benefits. This proposal will establish a minimum wage of \$6.60 per hour for personal care workers.

Mental Health. The fiscal year 2007 budget continues Michigan's commitment to mental health services by recommending total funding of \$2.5 billion gross, \$1.2 billion general fund. The great majority, 88 percent, of mental health services are provided in the community. The balance of mental health funding is spent on inpatient psychiatric hospital services. Community services are less costly, often more effective, and keep people at home.

- Funding for psychiatric hospitals is budgeted at \$275.5 million gross, \$48.8 million general fund.
- An increase of \$32.6 million gross and \$14.2 million general fund is added to the Executive Budget to fund actuarially sound mental health managed care rates.
- The Executive Recommendation includes \$5.3 million in general fund savings from including anti-psychotic pharmaceuticals in the rates paid to Medicaid community mental health providers. Assuming federal approval, savings would be generated by including the higher rates in the state's mental health provider tax.

Public Health. Funding for public health programs for fiscal year 2007 totals \$452.2 million gross, including \$55 million general fund. This funding supports a wide variety of physical health and disease prevention programs, including services to families and children.

Other Medical Services. Children's special health care services are funded in the Executive Budget at \$196.9 million gross and \$97.4 million general fund. This program provides medical care and treatment for children with special health care needs. Adults with cystic fibrosis and hemophilia are also covered.

The Adult Benefit Waiver program, funded at \$106.6 million, provides basic health coverage to adults with incomes below 35 percent of the poverty level (income of \$3,660 or less per year). This important safety net program will cover a monthly average caseload of 54,700.

Fiscal Year 2006 Supplemental

The Governor recommends a fiscal year 2006 supplemental of \$50.8 million that makes a number of non-general fund budget adjustments. Included are \$2.9 million in federal funding to assist in planning and preparedness efforts for combating pandemic influenza; federal adjustments of \$36.2 million to match pharmaceutical expenditures that were transferred from the Federal Medicare Prescription Program; and \$4.4 million to fully fund anticipated expenditures in the Medicaid Adult Benefit Waiver program.

Fiscal Year 2007 Governor's Recommendation
Department of Community Health
(\$ in Thousands)

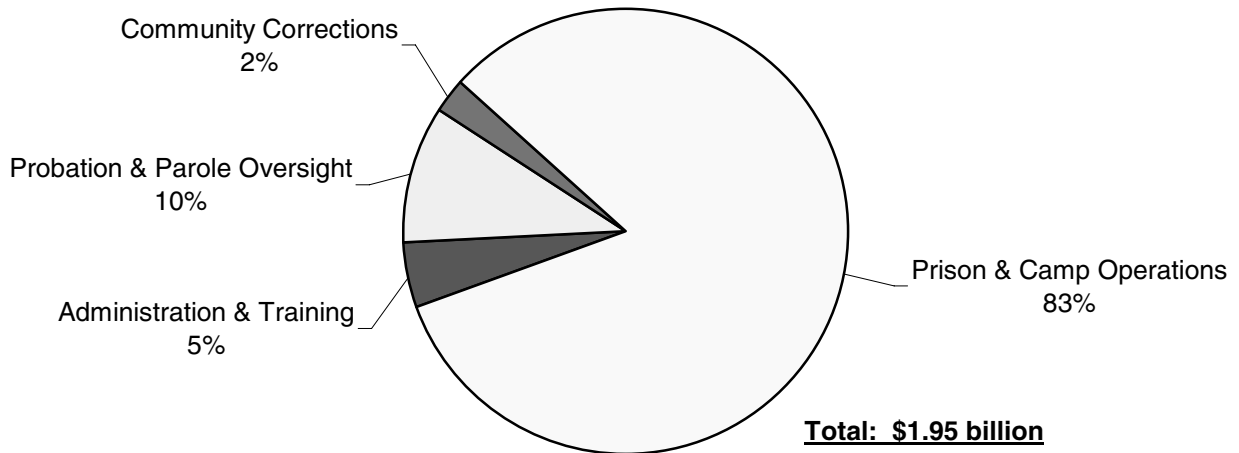
	FY05 Appropriation	FY06 Current Law	FY07 Recommended
GF/GP	\$2,588,837.1	\$2,951,899.4	\$3,001,975.8
All Funds	\$10,502,716.8	\$10,326,194.0	\$11,262,257.0
	% Change - GF/GP	14.0%	1.7%
	% Change - All Funds	-1.7%	9.1%

Activities	GF/GP	All Funds
GOAL: MAKE MICHIGAN'S PEOPLE HEALTHIER AND OUR FAMILIES STRONGER		
Medicaid:		
Medicaid Fee for Service	\$739,454.9	\$4,553,392.3
Medicaid Managed Care Services	\$568,252.9	\$2,421,668.9
Federal Medicare Pharmaceutical Program	\$200,973.1	\$200,973.1
Children's Special Health Care Services	\$97,365.3	\$196,859.6
Medicaid Adult Benefits Waiver	\$19,695.2	\$106,608.6
Mental Health - Medicaid	\$886,802.2	\$2,410,437.3
Mental Health - Non-Medicaid	\$317,772.3	\$317,772.3
Public Health	\$54,965.7	\$452,198.1
Michigan First Healthcare Plan	\$0.0	\$200,000.0
Administration	\$65,788.2	\$178,475.8
Other:		
Office of Services to the Aging	\$33,749.1	\$93,872.5
Health Policy, Regulation & Professions	\$7,707.8	\$54,909.0
Information Technology Services	\$9,073.7	\$31,427.1
Crime Victim Services	\$0.0	\$24,887.5
Office of Drug Control Policy	\$375.4	\$18,774.9
Total FY 2007 Recommendation	\$3,001,975.8	\$11,262,257.0

Corrections

The Department of Corrections promotes public safety for the residents of the State of Michigan by providing custody and care for incarcerated felons and maintaining oversight and supervision of parolees and felony probationers. *The Governor's proposed budget for fiscal year 2007 recommends total funding of \$1.95 billion, of which \$1.87 billion is general fund.*

Over 80% of Costs are for Prison Operations



Budget Highlights - The fiscal year 2007 Executive Budget:

- Includes no new funding for additional prison beds due to strong fiscal discipline and continued success of the Five Year Plan to Control Prison Growth.
- Recommends the closure of Camp Brighton in Livingston County and the transfer of Camp Brighton's inmates to the Huron Valley complex in Ypsilanti. The funding and beds from this closure will be transferred to other camps and minimum security housing units.
- Includes total funding of \$190.3 million for prisoner health care costs. The department implemented a managed care contract for hospitalization and specialty care for inmates in 1997. From fiscal year 1997 through fiscal year 2005, the department estimates that it has avoided over \$86 million in increased costs due to the implementation of managed care.
- Includes total funding of \$11.8 million for the training of new corrections officers. The department currently employs more than 9,000 corrections officers who maintain security for the department's prisons and camps. The funding will train up to 714 new recruits to fill corrections officer positions that are either currently vacant or will become vacant due to retirement and normal attrition during the year.

- Includes \$48.6 million for Community Corrections programs, including over \$15 million for county jail reimbursement and felony drunk driver programs, \$12 million for local community corrections plans and services, and \$17 million for local residential services for offenders.
- Includes funding of \$170 million for community oversight of over 70,000 felony probationers and parolees. Staff monitor parolees to ensure that they follow conditions placed on them by the Parole Board including reporting in regularly, maintaining employment, and avoiding further criminal activity. Offenders may also be monitored electronically using tether devices. The Executive Recommendation reflects a reorganization of the Field Operations Administration which saves \$2.7 million while allowing for the hiring of additional parole / probation officers. The budget also enhances funding by \$1.7 million to deploy and monitor 500 new Global Positioning Satellite (GPS) tether devices, which allow staff to track every move of tethered offenders. The new tether units will be utilized primarily on offenders convicted of burglary crimes.
- Continues current year funding of over \$12 million for the Michigan Prisoner Re-Entry Initiative (MPRI), which funds the first round of pilot re-entry sites and uses cost efficiencies and savings to fund the second round of pilot sites. The Michigan Prisoner Re-Entry Initiative reduces crime by implementing a seamless plan of supervision and services developed for each offender, delivered through state and local collaboration. From prison entry through the transition and reintegration of offenders into the

"A little extra help at the critical time of an offender's release from prison will result in safer communities and lower prison costs...There's no better way for the state to manage its population safely than to help make sure that those who get out stay out."

Detroit Free Press, January 17, 2005

community, MPRI will reduce crime, make parolees better citizens, and reduce re-arrests and returns to prison. The department estimates that parole failures currently cost the state \$117 million per year. Continued investment in MPRI is a cost effective means to protect citizens and make communities safer.

- Maintains funding of \$36 million for the department's academic and vocational programs and \$19 million for prison industries programs that reinforce the mission of the Michigan Prisoner Re-entry Initiative. These programs help prisoners develop the education and work skills they will need to succeed after they are released from prison. The department's academic programs deliver more G.E.D. certificates than any other school or organization in the State of Michigan. The Michigan State Industries (MSI) program is a self-sustaining operation that receives no general fund support. MSI, which produces a wide array of products and services from the manufacture of license plates to laundry services, teaches prisoners marketable job skills.

Fiscal Year 2006 Supplemental

The Governor recommends supplemental appropriations to redirect \$4 million in current year funding to the Michigan Prisoner Re-Entry Initiative.

Fiscal Year 2007 Governor's Recommendation Department of Corrections (\$ in Thousands)	
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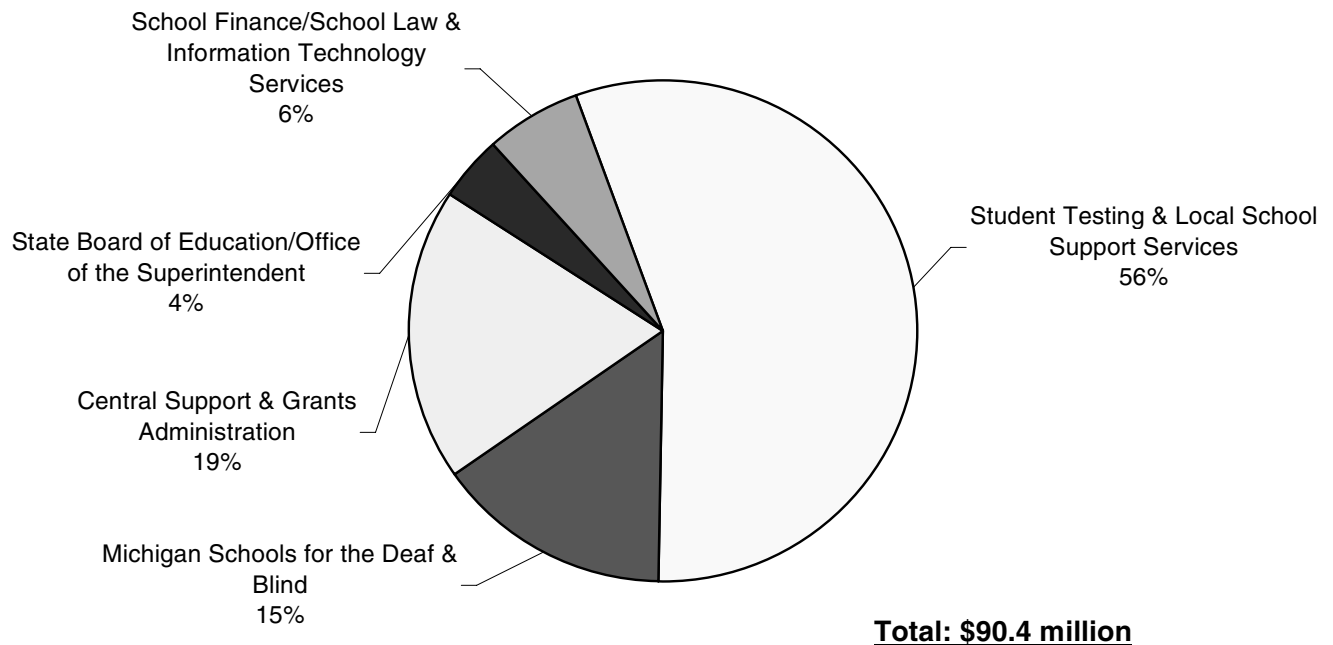
	FY05 Appropriation	FY06 Current Law	FY07 Recommended
GF/GP	\$1,688,886.3	\$1,780,650.7	\$1,865,555.0
All Funds	\$1,768,907.8	\$1,860,106.4	\$1,947,421.5
	% Change - GF/GP	5.4%	4.8%
	% Change - All Funds	5.2%	4.7%

Activities	GF/GP	All Funds
GOAL: PROTECT OUR CITIZENS AND MAKE MICHIGAN'S COMMUNITIES SAFER		
Prison and Camp Operations	\$1,575,749.2	\$1,612,807.1
Probation and Parole Oversight	\$173,418.3	\$196,496.7
Department Administration	\$71,520.8	\$72,882.2
Community Corrections Services	\$28,927.5	\$48,617.0
Information Technology Services and Projects	\$15,939.2	\$16,618.5
Total FY 2007 Recommendation	\$1,865,555.0	\$1,947,421.5

Department of Education

Leadership for Michigan's public education system is vested by the Constitution in the elected members of the State Board of Education. Guided by the State Board of Education policies, the Department of Education is focused on improving student achievement in order to prepare Michigan's students to compete in a global economy. *The Governor's proposed budget for fiscal year 2007 recommends total funding of \$90.4 million, of which \$6.7 million is general fund.*

Over Half of Department's Funding Supports Student Testing and School Support Services



Budget Highlights - The Governor's budget recommendation for fiscal year 2007:

- Provides \$76.6 million in federal, restricted and general funds for the oversight of state and federal education programs, including special education, teacher preparation, early childhood services, student assessment, and school improvement activities.
- Includes \$13.7 million, a \$772,200 increase, for the Michigan Schools for the Deaf and Blind. The school has experienced an increase in student enrollment over the last 6 years and is expected to increase by over 22 percent for the 2006-2007 school year. Additional staff will be hired to meet the school's growing enrollment.
- Provides \$107,000 general fund to upgrade the school aid payment system. Over \$11.7 billion in payments will be distributed to school districts via this system this year.

Fiscal Year 2006 Supplemental

The Governor recommends \$3.3 million in federal revenues to support the education of students displaced by hurricanes Katrina and Rita.

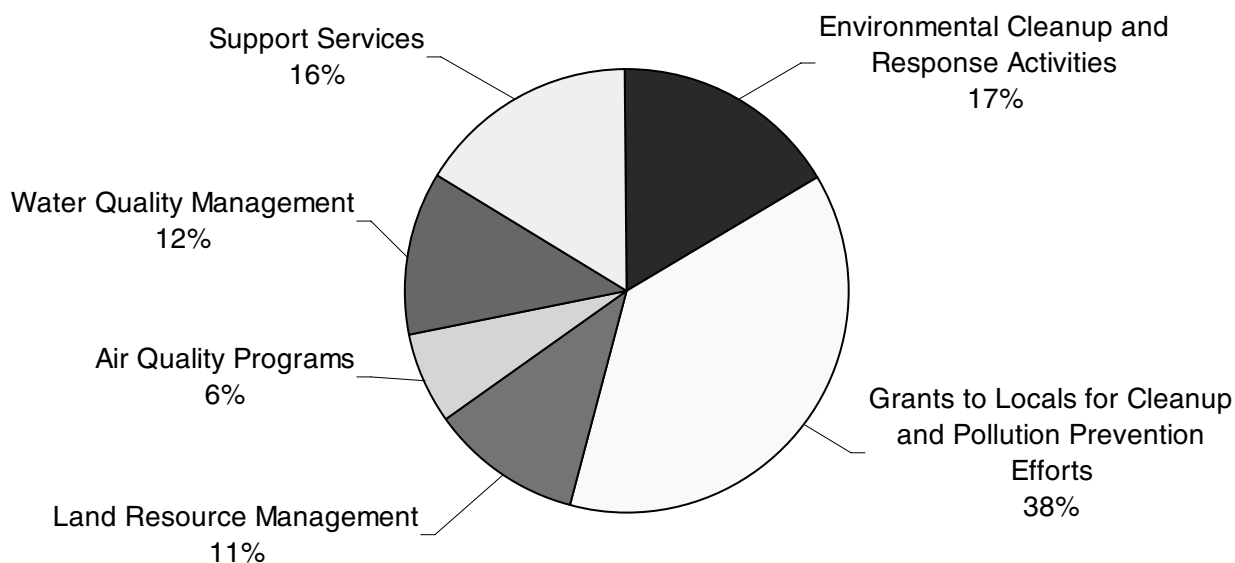
Fiscal Year 2007 Governor's Recommendation Department of Education (\$ in Thousands)			
	FY05 Appropriation	FY06 Current Law	FY07 Recommended
GF/GP	\$26,061.7	\$16,100.4	\$6,667.5
All Funds	\$116,997.2	\$117,475.6	\$90,365.1
	% Change - GF/GP	-38.2%	-58.6%
	% Change - All Funds	0.4%	-23.1%

[illegible]

Department of Environmental Quality

The Department of Environmental Quality is committed to restoring and enhancing Michigan's environment for the protection of public health and the preservation of our natural resources. Acting as chief steward for air, land, and water quality, the department focuses on environmental monitoring, permitting, enforcement, and innovative partnerships that add to the quality of life enjoyed by residents and visitors alike. *The Governor's proposed budget for fiscal year 2007 recommends total funding of \$370.2 million, of which \$33.3 million is general fund.*

Over Half of DEQ's Budget is Dedicated to Cleanup Projects



Total: \$370.2 million

Budget Highlights - The fiscal year 2007 Executive Budget:

- Provides \$107.0 million in Water Pollution Control and Drinking Water Revolving Fund revenues for low interest loans to local units of government to assist with wastewater and drinking water infrastructure improvement projects.
- Dedicates \$24.0 million toward clean air regulatory efforts, including maintenance of federal air quality standards and reduced emission of pollutants. Through unique partnerships formed with industry, the department continues to aggressively reduce processing time for issuing air permits.

- Maintains \$61.2 million for remediation and redevelopment programs to clean up and redevelop contaminated sites, including leaking underground storage tanks, providing for a cleaner and healthier environment for the citizens of Michigan.
- Provides approximately \$45.0 million for water quality monitoring and assessment activities. These resources also support the monitoring and issuance of permits to regulate the discharge of industrial and municipal wastewater, and regulatory oversight of public water supplies.
- Continues \$5.7 million for pollution prevention programs designed to collaborate with large and small businesses to promote pollution prevention and energy efficient practices. In addition, these programs provide financial assistance to communities to develop pollution prevention strategies at the local level.
- Includes \$18.1 million to maintain a number of programs designed to protect the environment and the public health through proper management of solid, liquid, medical, and hazardous waste products.
- Includes \$2.0 million in new general fund support to offset Cleanup and Redevelopment funds which have experienced a decline due to a shortfall in Unclaimed Bottle Deposit revenue. These resources will be used to support contaminated site investigation, cleanup, and revitalization efforts.

Fiscal Year 2006 Supplemental

The Governor recommends a fiscal year 2006 supplemental of approximately \$1.5 million in federal support to implement a hazardous waste manifest information system and homeland security communication data flow system.

Fiscal Year 2007 Governor's Recommendation Department of Environmental Quality (\$ in Thousands)	
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	FY05 Appropriation	FY06 Current Law	FY07 Recommended
GF/GP	\$26,127.1	\$31,809.6	\$33,328.4
All Funds	\$399,811.1	\$455,196.0	\$370,228.5
	% Change - GF/GP	21.7%	4.8%
	% Change - All Funds	13.9%	-18.7%

[illegible]

Executive Office

The Executive Office is the Office of the Governor. The budget provides funding for the Governor and her immediate staff, who assist her in executing her constitutional responsibilities as chief executive of the State of Michigan. The Executive Office also includes funding for the Lieutenant Governor's office. The Lieutenant Governor performs gubernatorial functions in the Governor's absence, presides over the Senate, serves on the State Administrative Board and represents the Governor at selected local, state and national meetings. The Executive Office also contains the Constituent Services Division, which serves as a resource for the citizens of Michigan to communicate their concerns and opinions directly to the Governor. *The Governor's proposed budget for fiscal year 2007 recommends total funding of \$5.4 million, the same amount as in the current year.*

Fiscal Year 2007 Governor's Recommendation Executive Office (\$ in Thousands)			
	FY05 Appropriation	FY06 Current Law	FY07 Recommended
GF/GP	\$5,205.5	\$5,375.5	\$5,375.5
All Funds	\$5,205.5	\$5,375.5	\$5,375.5
	% Change - GF/GP	3.3%	0.0%
	% Change - All Funds	3.3%	0.0%

[illegible]

Higher Education

The Higher Education budget provides operating support to the state's 15 public universities and also funds student financial aid programs. Michigan's 15 public universities offer access to a variety of undergraduate, graduate, and professional programs and undertake basic and applied research activities. Total state university enrollment exceeds 250,000 students, including about 198,000 undergraduate and 52,000 graduate and professional students. State student financial aid programs provide both merit and needs-based financial assistance to students. *The Governor's proposed budget for fiscal year 2007 recommends total funding of over \$1.7 billion, of which \$1.6 billion is general fund.*

Budget Highlights/University Operations - The fiscal year 2007 Higher Education budget:

- Provides over \$1.4 billion in state aid for Michigan's 15 public universities, a \$28.4 million increase over the current year.
- Allocates \$16.3 million to fund a two percent increase to Michigan State University, the University of Michigan-Ann Arbor, and Wayne State University. These three universities are governed by elected boards and have large and successful graduate and professional programs. They also engage in substantial basic and applied scientific research.
- Increases funding for Michigan's other 12 universities by \$12.1 million: \$6.1 million as an across-the-board increase and an additional \$6.0 million to be distributed via an incentive-based formula, consistent with the Cherry Commission recommendations for higher education. The Governor proposes a four-part funding formula to make higher education more accessible and affordable and to encourage degree completion: (1) one component rewards degree completion success, with a focus on math, science, engineering, or health degrees; (2) a participation component rewards outreach efforts to low-income students; (3) an affordability component directs funding to universities with relatively low per student resources; and (4) the final component encourages universities to augment their institutional financial aid funding.

State University Operations (\$ in Thousands)	FY 2007
Michigan State University	\$289,404.9
University of Michigan - Ann Arbor	322,695.9
Wayne State University	218,959.6
Central Michigan University	81,736.2
Eastern Michigan University	77,628.1
Ferris State University	49,478.6
Grand Valley State University	62,449.2
Lake Superior State University	12,988.6
Michigan Technological University	48,880.4
Northern Michigan University	45,879.0
Oakland University	51,719.7
Saginaw Valley State University	28,302.7
University of Michigan - Dearborn	25,286.9
University of Michigan - Flint	21,420.1
Western Michigan University	111,398.8
Total	\$1,448,228.7

- Maintains \$2.7 million to fund the Martin Luther King, Jr.–Cesar Chavez–Rosa Parks grants to increase the participation of minority and economically disadvantaged students in postsecondary education.

Budget Highlights/Scholarships and Financial Aid – The fiscal year 2007 Executive Budget:

- Provides \$127.7 million to fund the Michigan Merit Award program. Over 50,000 high school seniors qualify for Michigan Merit Awards each year.
- Merges the private college Tuition Grant program with State Competitive Scholarships. More than one-half (\$29.5 million) of current Tuition Grant funding is added for State Competitive Scholarships. This funding will continue awards for eligible current undergraduate Tuition Grant recipients at a maximum of \$1,300 per year, the same amount offered through the State Competitive Scholarship program.
- Increases support for the Tuition Incentive Program (TIP) to \$14 million to pay tuition costs for over 7,600 low-income Medicaid-eligible students. TIP eligibility is certified before the student graduates from high school in order to encourage high school completion.
- Allocates \$5.0 million from the Michigan Civilian Conservation Corps Fund for the new MiLEAD Initiative, a rigorous, comprehensive higher education initiative. Through service-learning – the practice of linking academic learning with service – MiLEAD targets vulnerable, at-risk youth, instilling in them a sense of service, a strong environmental ethic, and the value of education. The MiLEAD Initiative consists of a one-year residency program for at-risk students. The Department of Natural Resources will make grants to public colleges and universities that identify critical conservation projects and provide resources for remedial coursework and additional education.
- Includes \$1.0 million from tax check-off designated revenues to provide tuition grants to assist the children of veterans who were killed or disabled as a result of service-related injuries.

The Capital Outlay budget also contains planning authorizations for five additional state university projects with a total construction authorization of \$148.6 million (\$103.2 million state share). In addition, the state budget supports \$115.5 million in debt service obligations for recently constructed state university building projects.

**Fiscal Year 2007 Governor's Recommendation
Higher Education
(\$ in Thousands)**

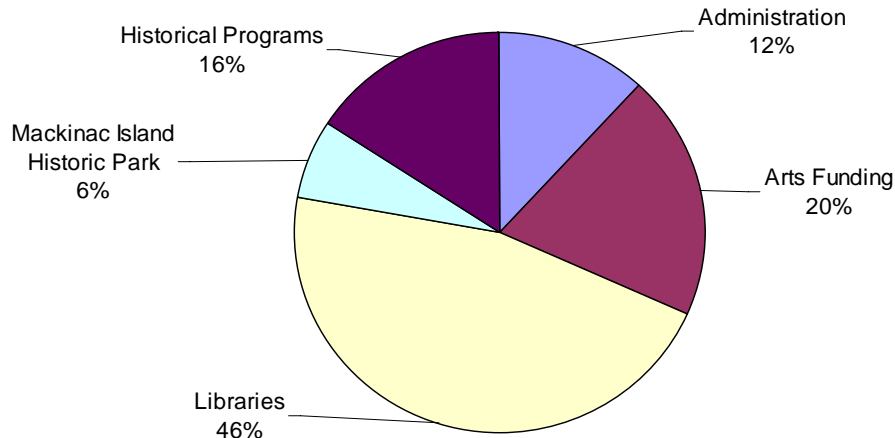
	FY05 Appropriation	FY06 Current Law	FY07 Recommended
GF/GP	\$1,633,355.8	\$1,577,443.9	\$1,585,040.7
All Funds	\$1,723,005.8	\$1,734,443.9	\$1,741,840.7
	% Change - GF/GP	-3.4%	0.5%
	% Change - All Funds	0.7%	0.4%

Activities	GF/GP	All Funds
GOAL: IMPROVE STUDENT ACHIEVEMENT		
State University Operations	\$1,438,728.7	\$1,448,228.7
Michigan Merit Award Program	\$0.0	\$127,700.0
State Competitive Scholarships	\$62,098.6	\$63,598.6
Agricultural Experiment Station	\$33,163.8	\$33,163.8
Cooperative Extension Service	\$28,604.3	\$28,604.3
Tuition Incentive Program	\$7,400.0	\$14,000.0
Michigan Work Study Program	\$7,326.3	\$7,326.3
MiLEAD	\$0.0	\$5,000.0
Nursing Scholarship Program	\$0.0	\$4,000.0
King-Chavez-Parks Program Grants	\$2,691.5	\$2,691.5
Part-time Independent Student Program	\$2,653.3	\$2,653.3
Michigan Education Opportunity Grant	\$2,084.2	\$2,084.2
Robert C. Byrd Honors Scholarship Program	\$0.0	\$1,500.0
Children of Veterans Tuition Grant Program	\$0.0	\$1,000.0
Higher Education Database	\$200.0	\$200.0
Midwestern Higher Education Compact	\$90.0	\$90.0
Total FY 2007 Recommendation	\$1,585,040.7	\$1,741,840.7

Department of History, Arts and Libraries

The Department of History, Arts and Libraries was created in 2001 to enrich the status of state history, arts, culture and library programs by coordinating state efforts to preserve, promote and protect Michigan's heritage. *The Governor's proposed budget for fiscal year 2007 recommends total funding of \$54.7 million, of which \$42.8 million is general fund.*

Public Libraries Receive Nearly Half of Department's Funding



Total: \$54.7 million

Budget Highlights - The fiscal year 2007 Executive Budget:

- Includes \$25.3 million for library services throughout the state, including continuation funding for the book distribution program, which distributes donated materials to a variety of non-profit and service organizations.
- Increases funding for the Council for Arts & Cultural Affairs to \$10.9 million to provide arts grants to local organizations.
- Provides \$8.7 million in funding for historical programs including support for the Michigan Historical Museum system, the Thunder Bay National Marine Sanctuary and Underwater Preserve, and the Michigan Freedom Trail.
- Funds the Mackinac Island State Historical Parks at \$3.4 million.

Fiscal Year 2006 Supplemental

The Governor recommends a fiscal year 2006 supplemental to partially restore funding reductions made to local libraries and arts grants.

**Fiscal Year 2007 Governor's Recommendation
Department of History, Arts and Libraries
(\$ in Thousands)**

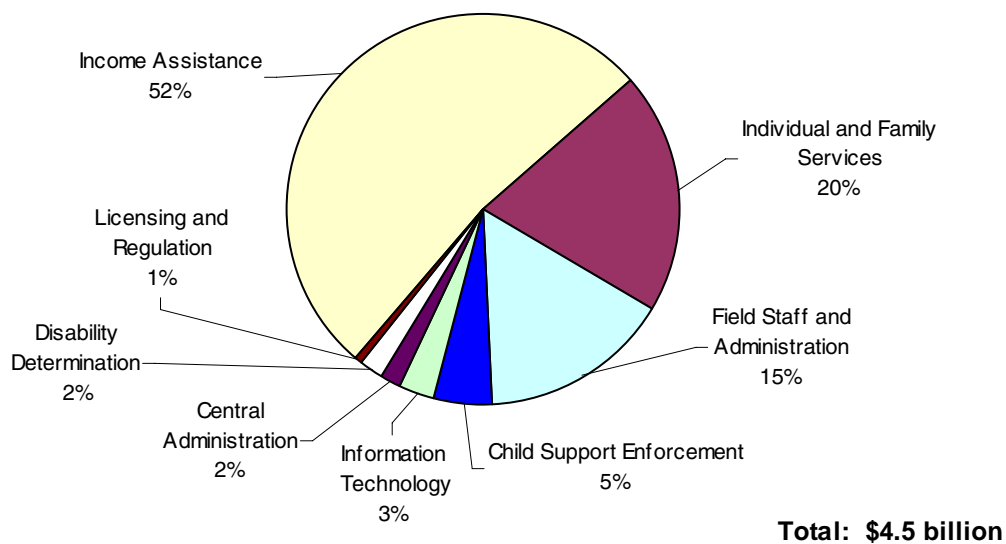
	FY05 Appropriation	FY06 Current Law	FY07 Recommended
GF/GP	\$45,176.7	\$41,190.1	\$42,800.2
All Funds	\$59,121.4	\$53,219.1	\$54,688.7
	% Change - GF/GP	-8.8%	3.9%
	% Change - All Funds	-10.0%	2.8%

Program	GF/GP	All Funds
GOAL: SUSTAIN AND CREATE BUSINESS INVESTMENT AND JOBS IN MICHIGAN		
Libraries	\$19,541.8	\$25,261.1
Council for Arts and Cultural Affairs	\$10,170.9	\$10,870.9
Historical Programs	\$5,316.3	\$8,662.9
Department Administration and Information Technology	\$6,429.3	\$6,476.2
Mackinac Island State Park Commission	\$1,341.9	\$3,417.6
Total FY 2007 Recommendation	\$42,800.2	\$54,688.7

Department of Human Services

The Department of Human Services (DHS) helps families and individuals meet financial, medical, and social service needs. DHS programs provide financial assistance and medical assistance to Michigan's low-income population; move people toward self-sufficiency through employment and training services; work to prevent abuse, neglect, and exploitation of children and vulnerable adults through direct services; and regulate and license adult and child care agencies, facilities, and homes. DHS directs the operations of income assistance and service programs through a network of county based offices. *The Governor's proposed budget for fiscal year 2007 recommends total funding of \$4.5 billion, of which \$1.2 billion is general fund.*

Over Half of the Department Budget Supports Income Assistance Programs for Low Income Families and Individuals



Budget Highlights/Income Assistance Programs

- Family Independence Program -- The Governor's fiscal year 2007 budget recommends \$374 million for the Family Independence Program, supporting 77,640 cases that include 155,280 children.
- Jobs, Education and Training Pilot (JET) -- Beginning in the current fiscal year and continuing into fiscal year 2007, the JET pilot is designed to reduce long-term welfare dependence through enhanced and integrated service delivery to Family Independence Program recipients. This will be accomplished through a comprehensive intake process; family, employment and training services; and post-employment services and support. Pilot savings of \$11 million general fund are included in the Executive Budget.
- Child Day Care -- The Governor's budget recommends funding of \$468 million to support safe, quality child day care for qualifying families, anticipating a caseload of 63,600 that includes 127,200 children. Michigan's child day care program is a critical support that helps families become employed and self-sufficient.

- State Disability Assistance -- The Governor's budget maintains the State Disability Assistance program as a safety net for disabled adults who are unable to work, but who do not qualify for federal Supplemental Security Income benefits. This program's \$36.3 million budget funds a caseload of 11,900 for fiscal year 2007.
- Food Assistance Program -- Over \$1.2 billion in federal funds is recommended for the Food Assistance Program to increase the food purchasing power of 526,800 low-income households.
- State Emergency Relief and Home Energy and Weatherization Assistance -- The Governor's budget for DHS includes funding of \$136.6 million to support the home heating credit, energy-related crisis payments, and weatherization activities to make homes more energy efficient. Federal and state funds of \$21.9 million are recommended for emergency assistance to families and individuals.
- Error Reduction Efforts -- A joint project with the Department of Community Health to identify and close Medicaid cases that are not eligible for assistance is included in the budget recommendation. Medicaid savings of \$8.6 million general fund from this case review project are reflected in the Department of Community Health budget. In addition, the Front End Eligibility project will target financial assistance applications for intensive review to avoid errors before cases are open. Front End Eligibility will save \$8.6 million in state funds in fiscal year 2007.

Budget Highlights/Social Services Program

- Children's Protective Services -- Protecting Michigan's children from harm is an essential government function. To meet this important obligation, the Governor's Executive Budget includes funding for 51 additional children's protective services staff, increasing staffing levels almost 7 percent.
- Children's Foster Care -- Children who have been placed in out-of-home care because they cannot be protected from abuse and neglect in their own homes are served through the Children's Foster Care Program. This budget includes \$206.6 million to provide care, supervision, and a home until children are either returned to their birth parents or are adopted. The fiscal year 2007 foster care caseload for out of home care is 10,600 children. Over \$74 million is invested in family preservation services and child abuse and neglect prevention to help keep children safe with their families.
- Adoption Subsidy Program -- This budget finances the Adoption Subsidy program at a funding level of \$234 million that supports a caseload of 27,300 children. Adoption subsidy provides financial and medical support to adoptive families to encourage the placement of special needs children.
- Juvenile Justice Services -- The Governor's budget recommends \$256.4 million for Juvenile Justice Services, including the Child Care Fund. These services provide treatment, residential placement and community support services for youth. The state also operates a number of residential facilities that provide comprehensive youth treatment programs.

Other Budget Highlights

- Office of Children and Adult Licensing (OCAL) -- With a budget of \$22.6 million, the Office of Children and Adult Licensing works to insure the protection of vulnerable children and adults by regulating adult foster care homes, homes for the aged, child day care homes and centers, child caring institutions, child placing agencies, and camps.
- Child Support Program -- This budget invests over \$213 million in the child support program to help Michigan's families obtain financial support from absent parents, including \$172 million for the local Friends of the Court to establish and enforce child support orders. In addition, over \$50 million is budgeted for child support automation activities.
- The Governor's recommendation adds \$78 million general fund to address a shortfall of federal Temporary Assistance to Needy Families (TANF) funds. TANF is a capped federal funding source. In prior years, Michigan had significant TANF reserves to carry forward from one year to the next. However, Michigan's TANF reserves have now been depleted. This budget recommendation replaces these unavailable federal funds with state funds in order to maintain critical human services programs.
- The budget adds \$5.5 million in fiscal year 2007 for continued development of the Bridges Project. This integrated service delivery system will provide significant workload and administrative efficiencies in local Human Services offices.

Fiscal Year 2006 Supplemental

The Governor recommends a fiscal year 2006 supplemental of \$1.9 million in federal child care development funds to continue services that support day care quality activities; \$300,000 in federal and state restricted funds to support children's trust fund activities; and \$600,000 in local revenues to help fund child support enforcement activities. The Governor also recommends supplemental appropriations to add 51 children's protective services staff. In addition, \$38.7 million general fund is included to address projected federal revenue shortfalls. These shortfalls occur in capped federal fund sources, primarily the Temporary Assistance to Needy Families block grant and the Social Services block grant. A portion of the general fund increase is offset with \$6.6 million in new federal child day care funds for a net increase of \$32.1 million general fund.

Fiscal Year 2007 Governor's Recommendation
Department of Human Services
(\$ in Thousands)

	FY05 Appropriation	FY06 Current Law	FY07 Recommended
GF/GP	\$1,077,374.4	\$1,082,196.4	\$1,190,896.7
All Funds	\$4,302,524.7	\$4,437,366.9	\$4,471,804.5
	% Change - GF/GP	0.4%	10.0%
	% Change - All Funds	3.1%	0.8%

Activities	GF/GP	All Funds
GOAL: MAKE MICHIGAN'S PEOPLE HEALTHIER AND OUR FAMILIES STRONGER		
Income Assistance:		
Food Assistance Program	\$0.0	\$1,221,340.9
Family Independence Program	\$221,291.3	\$368,783.6
Low Income Energy and Weatherization Assistance	\$0.0	\$134,927.9
SSI State Supplementation	\$62,028.4	\$62,028.4
State Emergency Relief	\$24,783.2	\$41,662.0
State Disability Assistance	\$27,166.9	\$36,281.7
Individual and Family Services:		
Purchased Care, Treatment, and Supervision of Youth	\$179,189.7	\$398,970.1
Adoption Services and Subsidies	\$93,383.9	\$248,323.3
Juvenile Justice: State Facilities and Federal Grants	\$33,717.4	\$76,088.4
Family Preservation and Prevention Services	\$1,778.0	\$74,381.7
Community Services Block Grant	\$0.0	\$27,159.9
Domestic Violence and Rape Prevention Services	\$1,985.1	\$17,229.0
Refugee Assistance	\$0.0	\$12,700.3
Other Individual and Family Services	\$3,690.1	\$30,729.4
Field Staff and Administration	\$271,367.0	\$695,799.1
Child Support Enforcement	\$14,970.8	\$213,625.3
Information Technology	\$38,852.9	\$136,083.9
Central Administration and Support	\$28,284.4	\$75,931.5
Disability Determination Services	\$2,974.6	\$84,267.0
Licensing and Regulation	\$9,966.3	\$22,608.6
GOAL: IMPROVE STUDENT ACHIEVEMENT		
Child Day Care Services	\$168,324.1	\$468,188.9
GOAL: SUSTAIN AND CREATE BUSINESS INVESTMENT AND JOBS IN MICHIGAN		
Employment and Training Support	\$7,142.6	\$24,693.6
Total FY 2007 Recommendation	\$1,190,896.7	\$4,471,804.5

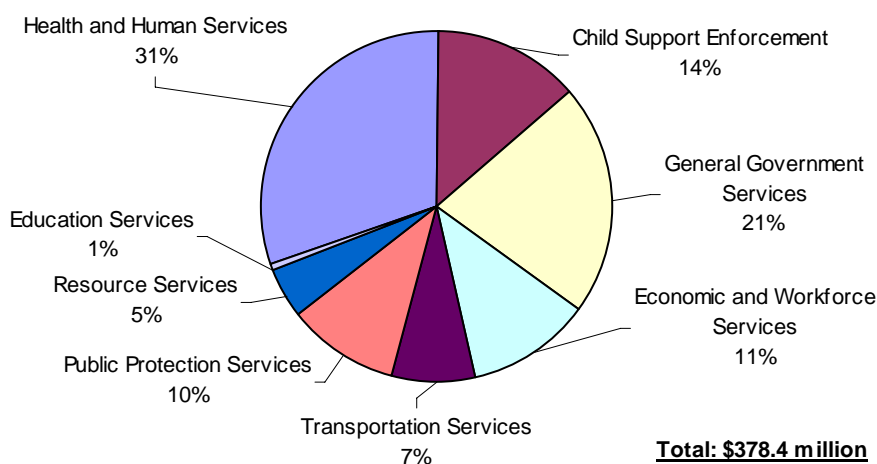
Department of Information Technology

The Department of Information Technology is responsible for the efficient management of state information technology resources and the delivery of information technology services to state agencies. *The Governor's proposed budget for fiscal year 2007 recommends total funding of \$378.4 million, supported entirely with user charges from client agencies.*

Budget Highlights - The fiscal year 2007 Executive Budget:

- Provides \$43.2 million for economic and workforce support services, including the Remote Initial Claims Center initiative to streamline and improve the method by which unemployment claims are submitted and processed.
- Provides \$38.8 million for public protection services, including systems that document all criminal justice information as well as track and maintain information on convicted offenders, parolees and probationers. Also includes support for the Michigan Public Safety Communication System, which standardizes two-way radio communications for local and state public safety agencies during an event or disaster.
- Allocates \$116.2 million for health and human services, including an additional \$5.5 million for on-going development of the integrated service delivery system, known as the Bridges Project. The system will reduce administrative workloads in local Human Services offices.
- Provides \$51.3 million in funding for the Child Support Enforcement System. This system links child support information in all 83 counties in the state.
- Includes \$80.1 million for general government services to various agencies throughout the state, including support for a statewide administrative management system, which maintains accounting, purchasing, contracting, and budgeting activities in an efficient, timely and cost effective manner. Also includes support of a multi-channel electronic tax filing system.

Department of Information Technology Delivers Services to State Agencies



Fiscal Year 2006 Supplemental

The Governor recommends a fiscal year 2006 supplemental of \$2.0 million for on-going maintenance of the Vision ORS (Office of Retirement Services) project to provide fast and accurate information to retirees.

**Fiscal Year 2007 Governor's Recommendation
Department of Information Technology
(\$ in Thousands)**

	FY05 Appropriation	FY06 Current Law	FY07 Recommended
GF/GP	\$0.0	\$0.0	\$0.0
All Funds	\$353,858.4	\$365,194.4	\$378,422.0
	% Change - GF/GP	0.0%	0.0%
	% Change - All Funds	3.2%	3.6%

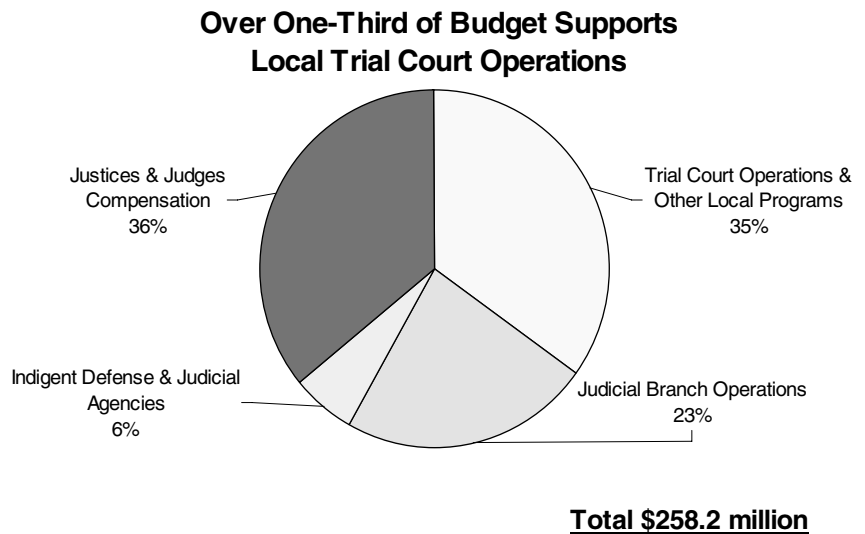
Activities	GF/GP	All Funds
GOAL: MAKE MICHIGAN'S PEOPLE HEALTHIER AND OUR FAMILIES STRONGER		
Health and Human Services	\$0.0	\$116,230.7
Child Support Enforcement	\$0.0	\$51,280.3
GOAL: MAKE GOVERNMENT IN MICHIGAN MORE COST EFFECTIVE AND EFFICIENT		
General Government Services	\$0.0	\$80,111.2
GOAL: SUSTAIN AND CREATE BUSINESS INVESTMENT AND JOBS IN MICHIGAN		
Economic and Workforce Growth Services	\$0.0	\$43,188.5
Transportation Services	\$0.0	\$27,876.5
Arts and Library Services	\$0.0	\$953.1
GOAL: PROTECT OUR CITIZENS AND MAKE MICHIGAN'S COMMUNITIES SAFER		
Public Protection Services	\$0.0	\$38,815.9
GOAL: ENHANCE THE QUALITY OF MICHIGAN'S NATURAL ENVIRONMENT		
Resource Services	\$0.0	\$17,351.1
GOAL: IMPROVE STUDENT ACHIEVEMENT		
Education Services	\$0.0	\$2,614.7
Total FY 2007 Recommendation	\$0.0	\$378,422.0

Judiciary

The Michigan Constitution vests the judicial power of the state exclusively in a court system composed of the Supreme Court, the Court of Appeals, the circuit court (which is the trial court of general jurisdiction, including the family court division), the probate court, and courts of limited jurisdiction such as the Court of Claims, district court and municipal courts. The statewide court system is administered by the Supreme Court Justices through the State Court Administration Office. *The Governor's proposed budget for fiscal year 2007 recommends total funding of \$258.2 million, of which \$160.1 million is general fund.*

Budget Highlights - The fiscal year 2007 Executive Budget:

- Allocates \$93.5 million for judges' compensation.
- Provides \$73.5 million to support local trial court operations throughout the state.
- Supports the Court of Appeals operations and delay reduction efforts at the current level of \$19.6 million.
- Recommends \$4.7 million for Michigan's drug treatment courts. Drug courts provide a comprehensive approach of intervention, drug treatment, supervision, and other services to successfully break the cycle of relapse and recidivism leading to costly incarceration.
- Designates \$2.8 million for the Michigan Judicial Institute to provide education and training services for judges and court staff. The institute provides training through publications, seminars, video and Web-based instruction.
- Includes \$13.7 million for indigent legal assistance through the State Appellate Defender Office, the Michigan Appellate Assigned Counsel System and through contracts with local legal aid agencies.



Fiscal Year 2006 Supplemental

A supplemental of \$150,000 in restricted revenue collections is recommended to support ongoing Court of Appeals operations.

Fiscal Year 2007 Governor's Recommendation Judiciary (\$ in Thousands)	
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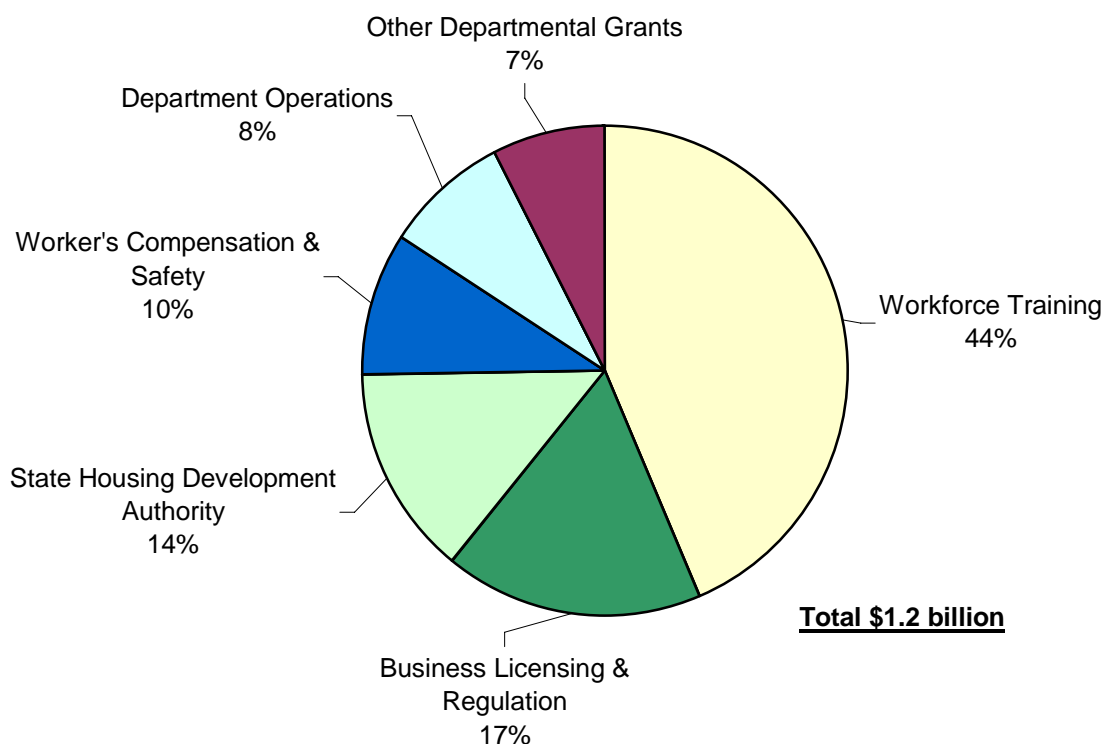
	FY05 Appropriation	FY06 Current Law	FY07 Recommended
GF/GP	\$157,547.3	\$157,614.5	\$160,125.4
All Funds	\$253,216.7	\$255,381.9	\$258,248.7
	% Change - GF/GP	0.0%	1.6%
	% Change - All Funds	0.9%	1.1%

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Department of Labor and Economic Growth

The Department of Labor and Economic Growth is committed to strengthening Michigan's skilled workforce and safeguarding the economic welfare of Michigan citizens through business licensing and regulatory activities. Through the establishment of programs such as the Regional Skills Alliances and the Michigan Opportunity Partnership, the department is focused on aggressively targeting workforce development programs to meet the needs of business and industry, and providing rapid-response training programs to match skilled workers with immediate job openings. *The Governor's proposed budget for fiscal year 2007 recommends \$1.2 billion, of which \$47.4 million is general fund.*

DLEG Budget Supports Workforce Training Efforts



Budget Highlights - The fiscal year 2007 Executive Budget:

- Provides \$119 million for local Job Training Programs, of which \$4.4 million is general fund. The \$4.4 million in general fund is added to replace federal Reed Act funds, which are no longer available.
- Includes \$1.5 million in federal Workforce Investment Act funds to support Regional Skills Alliances. These collaborative alliances train citizens for careers in high-demand industries such as health care, education services, and financial services. The additional investment will expand the current network from 17 to 25 alliances statewide.

- Maintains current year funding for the Work First program at \$113.8 million, of which \$18.5 million is general fund. These funds are used to provide employment and training services to public assistance recipients. The Governor's budget also provides \$58.6 million for direct vocational rehabilitation client services and independent living assistance.
- Incorporates \$1.1 million in interdepartmental revenues from the Department of Human Services for a new Jobs, Education and Training (JET) pilot project. The intensive JET pilot is designed to reduce long-term welfare dependence through enhanced and integrated service delivery to public assistance recipients. This will be accomplished through a comprehensive intake process; family, employment and training services; and post-employment services and support.
- Includes \$20 million in state restricted revenues for the Bureau of Commercial Services for business licensing and regulation. A one-time \$3.1 million investment in information technology systems will continue the Governor's efforts to eliminate red tape and reduce processing time for new businesses seeking incorporation in Michigan.
- Enhances Michigan State Housing Development Authority's payments on behalf of low-income tenants to \$135 million.
- Recommends a total of \$10.9 million for fire protection grants to local communities, consistent with the fiscal year 2006 appropriation. The Governor's budget also includes \$6.3 million for the Bureau of Fire Services, which includes the Office of the State Fire Marshal, the Fire Fighters Training Council, and activities related to fire inspectors and fire investigation training.
- Proposes an increase in retail liquor license fees to generate an additional \$22.9 million in new revenue. Most of these fees have not been increased since 1976. The additional revenues generated from this proposal will be used for regulation of the retail liquor industry, resulting in an equal savings to the general fund.
- The Governor's budget also provides for the transfer of the Michigan Strategic Fund to the Department of Treasury, consistent with P.A. 225 of 2005, and the transfer of the Michigan Community Services Commission to better align its efforts with those of the Department of Human Services.

Fiscal Year 2006 Supplemental

The Governor recommends a fiscal year 2006 supplemental of \$32.6 million to re-appropriate federal Reed Act funds for improvements to information technology systems that facilitate the processing of unemployment benefits, and \$682,500 to support recently passed legislation for the regulation of private wastewater facilities and the payday lending industry.

**Fiscal Year 2007 Governor's Recommendation
Department of Labor and Economic Growth
(\$ in Thousands)**

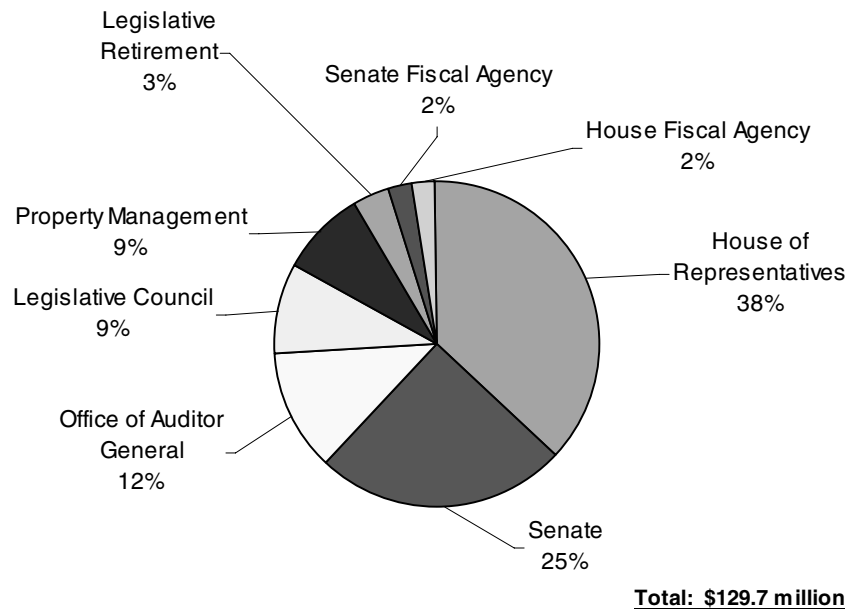
	FY05* Appropriation	FY 06* Current Law	FY07 Recommended
GF/GP	\$42,361.9	\$38,078.9	\$47,436.7
All Funds	\$1,129,180.9	\$1,183,827.1	\$1,217,098.9
	% Change - GF/GP	-10.1%	24.6%
	% Change - All Funds	4.8%	2.8%

Activities	GF/GP	All Funds
GOAL: SUSTAIN AND CREATE BUSINESS INVESTMENT AND JOBS IN MICHIGAN		
Workforce Training	\$37,226.7	\$531,511.3
Business Licensing & Regulation	\$5,128.9	\$207,869.8
State Housing Development Authority	\$0.0	\$168,984.4
Worker's Compensation & Safety	\$0.0	\$117,601.1
Department Operations	\$1,381.1	\$100,221.8
Other Departmental Grants	\$3,700.0	\$90,910.5
*Adjusted for program transfers		
Total FY 2007 Recommendation	\$47,436.7	\$1,217,098.9

Legislature

The Michigan Constitution vests the state's lawmaking power in a two-house Legislature consisting of a 38-member Senate and a 110-member House of Representatives. The Legislature is a sovereign and independent branch of state government with the authority to enact laws that regulate and protect the actions and interests of the government and the people. *The Governor's proposed budget for fiscal year 2007 recommends continuation level funding of \$129.7 million, of which \$124.7 million is general fund.*

Legislative Budget Supports Elected Officials and Their Staff



Budget Highlights - The fiscal year 2007 Executive Budget:

- Provides \$47.8 million for the House of Representatives, and \$32.2 million for the Senate, to finance the costs of legislators and their staff.
- Dedicates \$16.0 million for the Office of Auditor General, a constitutionally required position to conduct financial and performance audits of state government operations.
- Includes \$11.9 million for the Legislative Council, a bipartisan committee of the Legislature providing services such as bill drafting and research.
- Allocates \$11.2 million to manage, operate, maintain and repair the Capitol, the Cora B. Anderson building, and the Farnum building.
- Continues \$4.4 million for the Legislative Retirement System.
- Dedicates \$3.1 million for the Senate Fiscal Agency, and \$3.0 million for the House Fiscal Agency, which provide nonpartisan fiscal analysis services for members of the Legislature.

07 Governor's Recommendation Legislature (\$ in Thousands)

	FY05 Appropriation	FY06 Current Law	FY07 Recommended
GF/GP	\$122,173.9	\$124,673.9	\$124,673.9
All Funds	\$126,731.9	\$129,731.9	\$129,731.9
	% Change - GF/GP	2.0%	0.0%
	% Change - All Funds	2.4%	0.0%

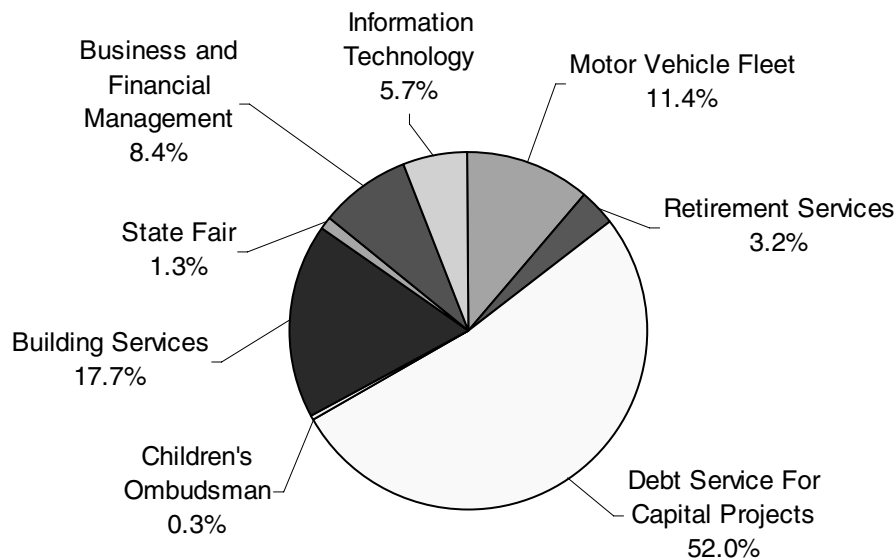
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Department of Management and Budget

The Department of Management and Budget supports the business operations of state agencies through a variety of services. These services include building management and maintenance, centralized contracting and purchasing programs, space planning and leasing, construction management, management of the state motor vehicle fleet and management of the state retirement systems.

The department also houses four autonomous agencies. The Office of the State Budget coordinates all Executive Budget activities and oversees the state's accounting and payroll functions. The Office of the State Employer oversees all collective bargaining negotiations and formulates and administers labor relations policies for state classified employees. The Office of Children's Ombudsman monitors compliance with statutes, rules, and policies pertaining to children's protective services and the placement, supervision, and treatment of children in foster care and adoptive homes. The State Exposition and Fairgrounds Authority manages the operations of the fair and fairgrounds, including activities during the annual fair. *The Governor's proposed budget for fiscal year 2007 recommends funding of \$496.1 million, of which \$273.4 million is general fund.*

Over Half of the Budget Funds Debt Service for Capital Projects



Total: \$496.1 million

Budget Highlights - The fiscal year 2007 Executive Budget:

- Provides \$257.8 million for State Building Authority Debt related to capital construction projects for universities, community colleges, and state agencies.
- Authorizes \$87.8 million for staffing and operational costs for state-owned and leased buildings throughout the state.
- Includes \$56.7 million for motor vehicle fleet services to state agencies for the leasing of vehicles, automobile maintenance, and fuel.
- Dedicates \$16.0 million to the Office of Retirement Services to provide oversight and support services to the 575,000 active and retired members of the state employee, Michigan public school employee, judicial and State Police retirement systems.
- Authorizes \$5.1 million for design and construction services, including engineering, architectural, project monitoring and design services for capital outlay and maintenance projects for state agencies, as well as community colleges and universities.
- Provides \$6.6 million for operation of the Michigan State Fair and fairgrounds.
- Maintains \$2.9 million in financing for the Office of the State Employer to negotiate collective bargaining agreements, including compensation and benefit provisions, to foster a positive labor-management relationship while maintaining management rights and controlling costs.
- Authorizes \$1.4 million for the Office of Children's Ombudsman to monitor state and private agencies to ensure the safety and well being of children in need of protective services, foster care, or adoption.

Fiscal Year 2006 Supplemental

The Governor recommends supplemental appropriations from restricted fund sources of \$2.0 million to cover the ongoing operational costs of retirement information technology services, and \$966,700 for the Michigan State Fair.

**Fiscal Year 2007 Governor's Recommendation
Department of Management and Budget
(\$ in Thousands)**

	FY05 Appropriation*	FY06 Current Law*	FY07 Recommended
GF/GP	\$278,742.7	\$291,220.0	\$273,409.6
All Funds	\$464,052.5	\$504,711.2	\$496,142.0
	% Change - GF/GP	4.5%	-6.1%
	% Change - All Funds	8.8%	-1.7%

Activities	GF/GP	All Funds
GOAL: MAKE GOVERNMENT IN MICHIGAN MORE COST EFFECTIVE AND EFFICIENT		
Debt Service for State Agency Capital Projects	\$106,678.6	\$126,773.6
Operation of State Owned and Leased Buildings	\$0.0	\$87,831.8
Motor Vehicle Fleet	\$0.0	\$56,724.2
Information Technology	\$14,488.7	\$28,344.8
Retirement Services	\$0.0	\$16,044.8
Department Support Services	\$7,025.6	\$15,190.7
Budget and Financial Management	\$7,786.8	\$10,319.3
Business Support Services	\$4,203.7	\$7,898.3
Michigan State Fair	\$0.0	\$6,550.2
Design and Construction Services	\$0.0	\$5,162.6
Office of State Employer	\$819.4	\$2,894.9
GOAL: MAKE MICHIGAN'S PEOPLE HEALTHIER AND OUR FAMILIES STRONGER		
Office of Children's Ombudsman	\$1,383.3	\$1,383.3
GOAL: IMPROVE STUDENT ACHIEVEMENT		
Debt Service For Higher Education Capital Projects	\$131,023.5	\$131,023.5
*Adjusted for program transfers		
Total FY 2007 Recommendation	\$273,409.6	\$496,142.0

Department of Military and Veterans Affairs

The Department of Military and Veterans Affairs has dual missions: administration of state-regulated services to veterans, and military preparedness. At the state level, the department protects the lives and property of Michigan residents during times of natural disaster or civil unrest. The department also assists the federal government in defending sovereign interests of the United States. There are over 11,000 members of the Michigan National Guard; over 1,900 have been called to active duty and mobilized to serve in the Iraqi Freedom campaign and other parts of the world. *The Governor's proposed budget for fiscal year 2007 recommends total funding of \$122.3 million, of which \$40.6 million is general fund.*

Budget Highlights - The fiscal year 2007 Executive Budget:

- Supports continuous levels of excellent domiciliary and special needs care to Michigan veterans by funding \$63.3 million for both the Grand Rapids Veterans' Home and the D.J. Jacobetti Veterans' Home.

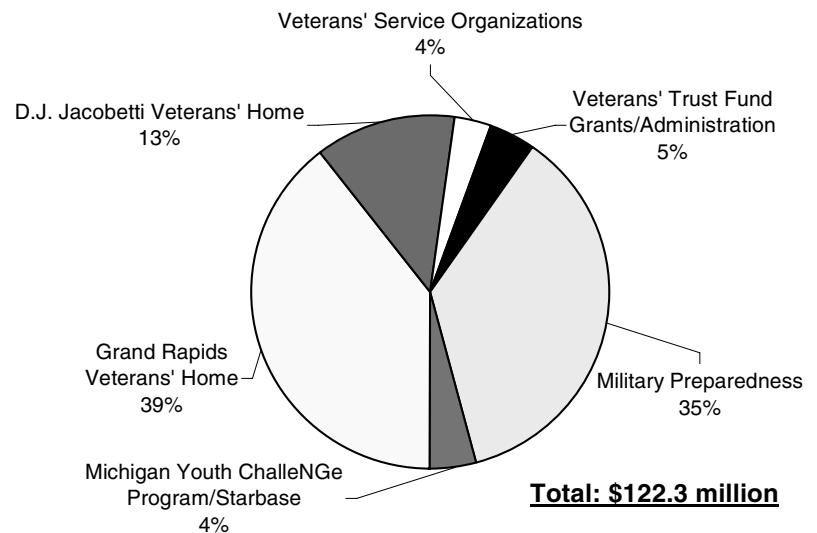
- Includes \$22.5 million in federal funding for military training sites and armories throughout the state.

- Provides \$3.9 million for Veterans Service Organizations, which provide information and referral services to Michigan veterans.

- Recommends \$4.9 million for the basic needs of Michigan's veterans and their dependents through the Michigan Veterans' Trust Fund. The Trust Fund supports emergency grants for housing, utilities, food, and medicine.

- Allocates \$4.6 million to the Michigan Youth ChalleNge Academy program, which provides high school dropouts and at-risk youth the opportunity to become productive members of their communities. The 22-week residential program includes a boot camp setting as well as academic instruction and personal development. A 12-month community-based mentoring phase follows the program. The Governor's recommendation includes an increase of \$500,000 in state support to increase ChalleNge enrollment by one hundred pupils.

Over 60% of Funding Supports Veterans' Services



Fiscal Year 2006 Supplemental

The Governor recommends a fiscal year 2006 supplemental of \$5.0 million, including \$4.6 million for security at the Battle Creek and Selfridge Air National Guard bases. Additional programming for veterans at the Grand Rapids and D. J. Jacobetti veterans' homes is supported by \$219,000 in state restricted revenue. Another \$206,000 in federal funds will support expansion of the Starbase educational program at Selfridge Air Base which is targeted to middle school students.

**Fiscal Year 2007 Governor's Recommendation
Department of Military and Veterans Affairs
(\$ in Thousands)**

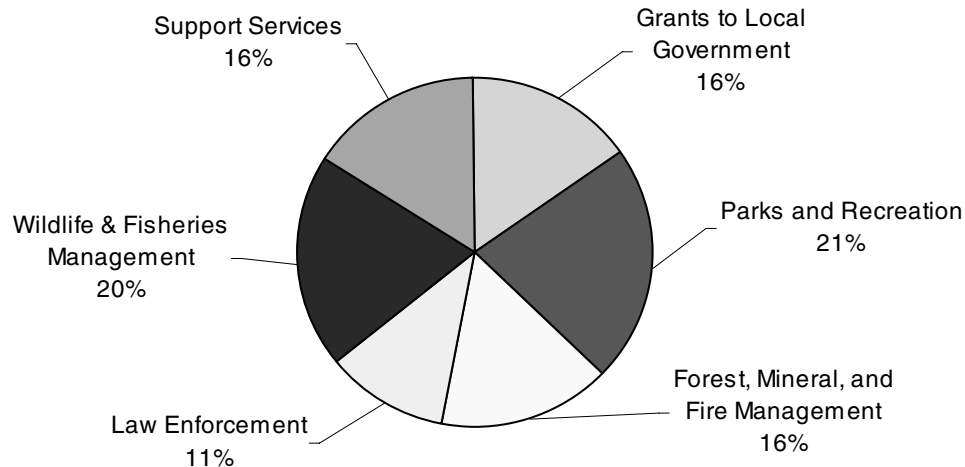
	FY05 Appropriation	FY06 Current Law	FY07 Recommended
GF/GP	\$36,656.6	\$37,789.1	\$40,640.2
All Funds	\$116,547.6	\$117,699.4	\$122,317.6
	% Change - GF/GP	3.1%	7.5%
	% Change - All Funds	1.0%	3.9%

Activities	GF/GP	All Funds
GOAL: MAKE MICHIGAN'S PEOPLE HEALTHIER AND OUR FAMILIES STRONGER		
Grand Rapids Veterans' Home	\$16,619.7	\$47,894.3
D.J. Jacobetti Veterans' Home	\$5,381.3	\$15,415.6
Veterans' Service Organizations	\$3,912.3	\$3,912.3
Veterans' Trust Fund Administration	\$326.0	\$1,509.3
Veterans' Trust Fund Grants	\$0.0	\$3,746.5
GOAL: PROTECT OUR CITIZENS AND MAKE MICHIGAN'S COMMUNITIES SAFER		
Military Preparedness	\$14,400.9	\$44,611.7
GOAL: IMPROVE STUDENT ACHIEVEMENT		
Michigan Youth ChalleNGe Program/Starbase	\$0.0	\$5,227.9
Total FY 2007 Recommendation	\$40,640.2	\$122,317.6

Department of Natural Resources

The Department of Natural Resources is committed to the conservation, protection, management, use, and enjoyment of the state's natural resources for current and future generations. The department supports programs for wildlife and fisheries management, state parks and recreation areas, conservation and law enforcement, and forest management. *The Governor's proposed budget for fiscal year 2007 recommends total funding of \$287.0 million, of which \$25.1 million is general fund.*

DNR Funds a Wide Variety of Recreational and Conservation Activities



Total: \$287.0 million

Budget Highlights – The fiscal year 2007 Executive Budget:

- Provides an additional \$3.5 million in state restricted support for maintaining the state's 97 parks, bringing total support for the park system to \$46.8 million.
- Fully funds the payments in lieu of taxes program at \$15.3 million.
- Maintains \$45.0 million to manage and protect 3.8 million acres of state forestland and protect 20 million acres of forest and wild lands against fire.
- Provides \$29.0 million to conserve the state's wildlife and its habitat. Through improved habitat management and the natural processes of forest growth and plant succession, wildlife habitat has improved to the point that many species can be reestablished as part of the natural ecosystem.
- Dedicates \$28.0 million to protecting and enhancing fish habitat and populations in order to provide quality recreational and economic opportunities.
- Provides \$31.6 million for law enforcement activities, including an additional \$1.5 million in federal support for equipment purchases.

Fiscal Year 2006 Supplemental

The Governor recommends a supplemental of \$1.5 million in federal support for law enforcement equipment purchases. An additional \$1.5 million federal will support marine safety grants to local units of government, and \$3.3 million in restricted funds is recommended for state park operations.

Fiscal Year 2007 Governor's Recommendation
Department of Natural Resources
(\$ in Thousands)

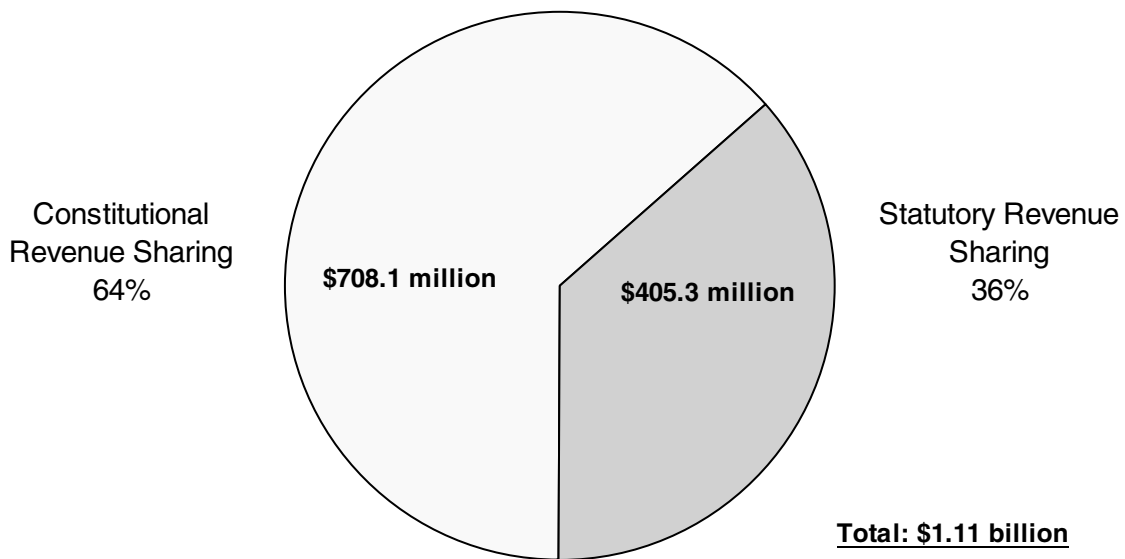
	FY05 Appropriation	FY06 Current Law	FY07 Recommended
GF/GP	\$28,501.7	\$25,593.2	\$25,119.6
All Funds	\$268,646.1	\$272,943.1	\$287,018.2
	% Change - GF/GP	-10.2%	-1.9%
	% Change - All Funds	1.6%	5.2%

Activities	GF/GP	All Funds
GOAL: ENHANCE THE QUALITY OF MICHIGAN'S NATURAL ENVIRONMENT		
Parks	\$0.0	\$46,783.2
Forest, Mineral, and Fire Management	\$4,650.9	\$44,954.0
Law Enforcement	\$2,232.2	\$31,554.0
Grants to Local Government	\$0.0	\$29,740.3
Wildlife Management	\$1,938.4	\$28,733.4
Fisheries Management	\$0.0	\$28,018.3
Land and Facilities Management	\$346.3	\$20,009.5
Support Services	\$2,298.1	\$17,573.4
Recreation	\$0.0	\$15,095.1
Information Technology	\$1,049.6	\$9,002.9
Payments in Lieu of Taxes - Commercial Forest Reserves	\$2,662.6	\$2,662.6
GOAL: MAKE GOVERNMENT IN MICHIGAN MORE COST EFFECTIVE AND EFFICIENT		
Payments in Lieu of Taxes - Purchased Lands	\$9,941.5	\$12,641.5
GOAL: MAKE MICHIGAN'S PEOPLE HEALTHIER AND OUR FAMILIES STRONGER		
Sportsmen Against Hunger	\$0.0	\$250.0
Total FY 2007 Recommendation	\$25,119.6	\$287,018.2

Revenue Sharing

Administered by the Department of Treasury, Michigan's revenue sharing program provides unrestricted financial support to local units of government, allowing communities to determine how best to fund local services. There are two ways that local units share in a portion of sales tax revenue: a constitutionally-dedicated portion is distributed to cities, villages, and townships based on a community's population; an additional portion of sales tax revenue is earmarked in state law to provide revenue sharing payments that are subject to annual appropriation. *Funding for fiscal year 2007 is recommended at \$1.11 billion, which includes \$708.1 million for constitutionally required revenue sharing payments and \$405.3 million for statutory revenue sharing payments to cities, villages, and townships.*

Nearly Two-Thirds of All Revenue Sharing Payments are Constitutionally-Dedicated



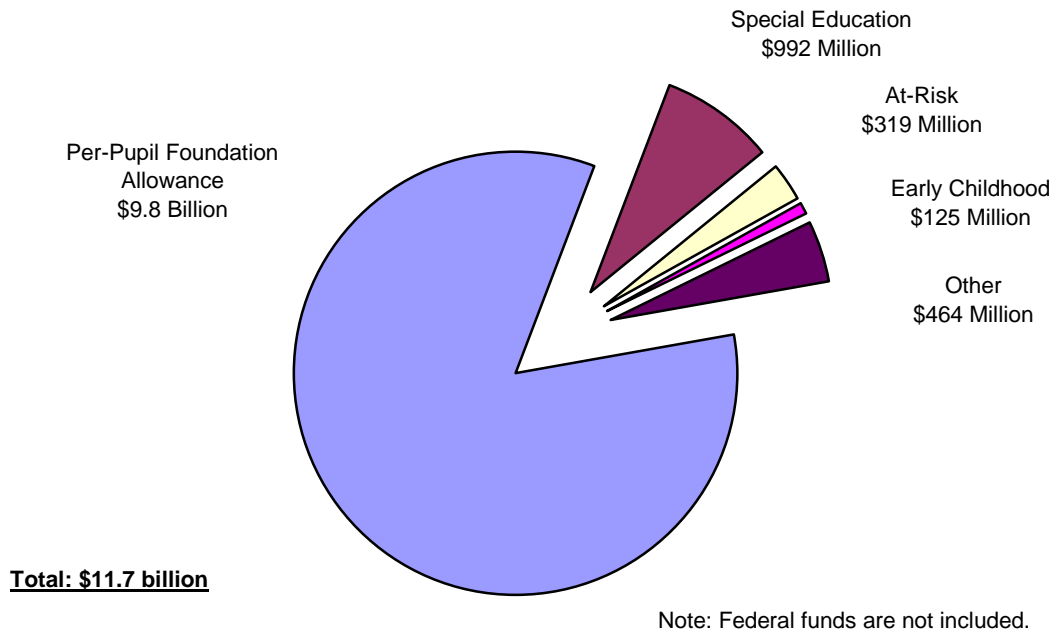
Budget Highlights - The fiscal year 2007 Executive Budget:

- Maintains overall revenue sharing payments equivalent to the fiscal year 2006 spending level for cities, villages, and townships.
- Suspends county revenue sharing payments for a third year, allowing nearly \$200 million to be redirected to other areas of the state budget. Instead, each county expends from its Revenue Sharing Reserve Fund created by state law in 2004.
- Provides \$859,400 for special census revenue sharing payments to cities, villages, and townships having a certified population growth of 10 percent or more since the 2000 census.

School Aid

Investing in a high-quality pre-school and K-12 system leads to an educated citizenry who are prepared to be successful in this highly competitive global economy. *The Governor's fiscal year 2007 school aid budget totals over \$13.1 billion, \$11.7 billion of state funds and \$1.4 billion of federal funds, an increase of nearly \$362.0 million from the current year. In addition, schools are estimated to receive \$3.8 billion from local property tax revenues as well.*

Over 80% of State Funding Supports the Per-Pupil Foundation Allowance

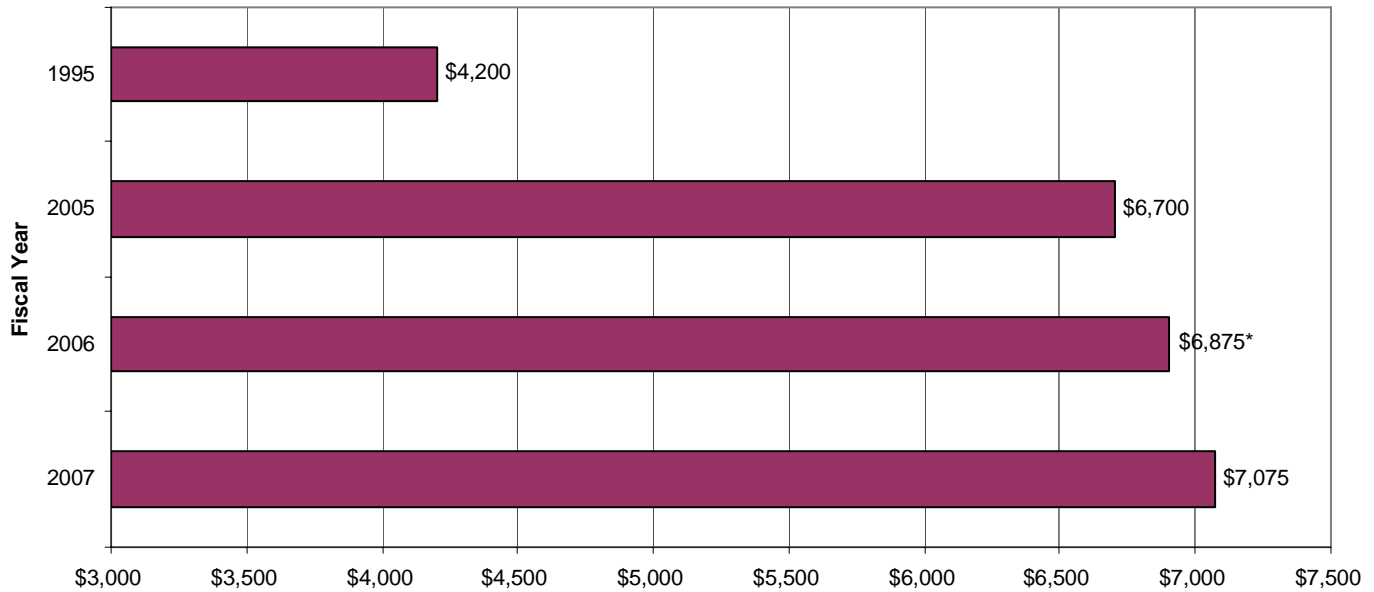


Budget Highlights – The fiscal year 2007 Executive Budget makes the following recommendations for the School Aid Budget:

Foundation Allowance and Basic Instructional Support

- Raises the minimum foundation allowance to \$7,075 per pupil, an increase of \$200 per pupil above the current year enacted level. Governor Granholm also recommends advancing \$25 of this per-pupil increase in a fiscal year 2006 supplemental. This proposed funding level will raise the minimum foundation allowance to its highest level in history, 65 percent greater than in 1995.
- Provides \$50.0 million to address the problems school districts are experiencing with declining enrollment by smoothing the funding formula and mitigating steep declines in school funding. Over 40 percent of public school districts will benefit from these payments.

**Per Pupil Foundation Allowance Has Increased Over 65% Since 1995
(Double the Rate of Inflation)**



* The Governor has proposed an advance of the FY2007 foundation allowance as a FY2006 supplemental of \$25 per pupil.

Preschool Programs

- Expands funding for all Great Start preschool programs to a total of \$125.1 million, an increase of \$36.5 million. Over 33,000 four year-olds will be served in the Great Start school readiness program (an increase of 8,000 students) as support for the program is increased to \$114.0 million.
- Increases funding for the Great Parents, Great Start intermediate school district programs for all children from birth to age five. A total of \$10.0 million will be used for the purposes of promoting early math and reading literacy, improving school readiness, and encouraging positive parenting skills.
- Supports the Great Start Collaborative System with \$1.0 million, a system designed to coordinate all local, state and federal preschool programs and resources to make them more accessible to parents.

Student Support Payments

- Dedicates over \$1.4 billion in funding for children in need of special education services: \$991.7 million in state funds and \$424.7 million in federal funds.
- Targets \$319.4 million in state funding to children at risk of not achieving academically. This program also maintains \$3.7 million for teen health centers and doubles funding for the hearing and vision screening programs to \$5.2 million. In addition, over \$428.9 million in federal funds are targeted to schools in need of supplemental support services to improve student achievement and meet federal education standards.

- Dedicates over \$354.0 million in state and federal funding for school meal programs. These programs provide financial assistance to schools for the cost of providing nutritionally balanced, low-cost or free meals to students each school day. Approximately 38 million breakfasts and 138 million lunches are served in schools each year.

Ensuring Academic Achievement

- Implements the Michigan After-School Program, which will provide extended education and enrichment opportunities during non-school hours to middle school students. This program, funded at \$15.0 million, is designed to focus on math, science and computer technology to help students meet local, state and federal standards and better prepare them for more rigorous high school curriculum expectations.
- Targets \$10.0 million for students in grades K to 3 for the purposes of improving math and reading literacy skills in early grades to better equip students with skills needed to meet state and federal academic requirements.
- Increases funding to the Michigan Virtual High School to a total of \$6.5 million for expanded access to web-based learning tools that are essential to preparing both teachers and students for more rigorous high school curriculum expectations. These tools include additional professional development opportunities for teachers, ACT test preparation materials for students, and career exploration and planning resources for districts.
- Provides \$1.0 million for the development of career and technical education curricula that aligns with the recommended Michigan Merit core curriculum.
- Increases funding by \$1.0 million for existing Math and Science Centers to prepare students for the more rigorous Michigan Merit core high school curriculum in the math and science fields.

Increased Opportunities for High School Students

- Dedicates \$5.0 million for the new Health/Science Middle College Initiative. The program is designed to create partnerships between the K-12 system, community colleges and hospitals to provide high school students with the opportunity to earn college credit and to receive on-the-job technical training in the health sciences field.
- Encourages hands-on math and science skills by providing competitive grants of \$2.0 million for teams of high school students that participate in *FIRST* (For Inspiration and Recognition of Science and Technology) Robotics Competitions.
- Increases funding to a total of \$25.0 million for Adult Education programs in order to further promote adult reading literacy and to expand access to high school completion options.

**Fiscal Year 2007 Governor's Recommendation
School Aid
(\$ in Thousands)**

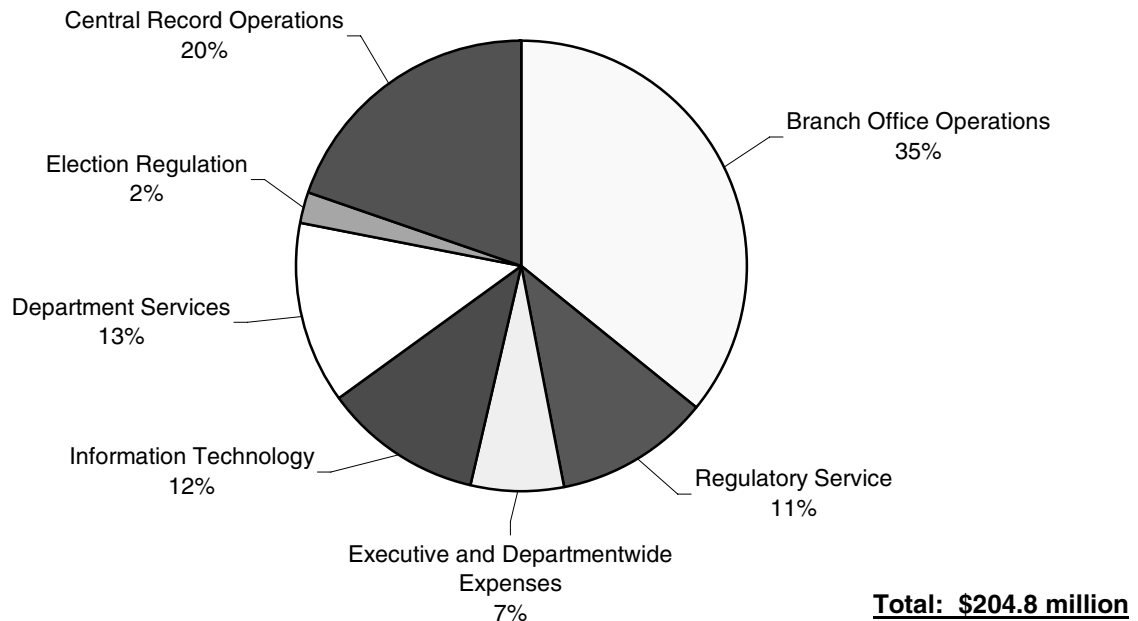
	FY05 Appropriation	FY06 Current Law	FY07 Recommended
GF/GP	\$165,200.0	\$62,714.0	\$35,000.0
All Funds	\$12,467,062.3	\$12,757,151.3	\$13,119,014.7
	% Change - GF/GP	-62.0%	-44.2%
	% Change - All Funds	2.3%	2.8%

Activities	GF/GP	All Funds
GOAL: IMPROVE STUDENT ACHIEVEMENT		
Foundation Allowance Payments	\$16.0	\$9,791,000.0
Special Education Funding	\$0.0	\$1,416,633.0
No Child Left Behind and Other Federal Funding	\$0.0	\$644,624.4
School Food Programs	\$0.0	\$354,626.1
At Risk Children Services	\$0.0	\$319,350.0
Statutorily Required Payments/Reimbursements	\$14,950.0	\$167,561.0
Great Start Preschool Programs	\$12,700.0	\$125,100.0
Intermediate School District General Operations	\$0.0	\$80,455.5
Declining Enrollment Assistance Funding	\$0.0	\$50,000.0
Vocational Education	\$0.0	\$40,000.0
State Assessments	\$0.0	\$27,925.2
Adult Education	\$0.0	\$25,000.0
Michigan After-School Program	\$0.0	\$15,000.0
Court Placed and Juvenile Programs	\$0.0	\$14,253.1
Elementary Math and Reading Program	\$0.0	\$10,000.0
Center for Education Performance and Information	\$4,500.0	\$8,043.2
Math and Science Programs	\$84.0	\$10,636.1
Michigan Virtual High School	\$2,750.0	\$6,525.0
Health/Science Middle College Initiative	\$0.0	\$5,000.0
Bilingual Education	\$0.0	\$4,032.1
School Transportation Safety Programs	\$0.0	\$2,965.0
Advanced and Accelerated Programs	\$0.0	\$285.0
Total FY 2007 Recommendation	\$35,000.0	\$13,119,014.7

Department of State

The Department of State administers Michigan's motor vehicle programs including titling, registering vehicles, licensing drivers, and monitoring driver performance. The Secretary of State also supervises state elections and administers state election laws. *The Governor's proposed budget for fiscal year 2007 recommends total funding of \$204.8 million, of which \$19.1 million is general fund.*

Over 1/3 of Budget Supports Local Branch Offices Throughout the State



Budget Highlights -The fiscal year 2007 Executive Budget:

- Provides \$73.4 million to support branch office operations throughout the state. Branch offices process over 20.7 million vehicle and driver transactions each year, providing service to virtually every adult in the state. The department continues to modernize its branch offices through the use of SUPER centers and numerous PLUS offices, which provide customers with enhanced services and extended hours of operation.
- Recommends \$4.7 million for regulation and oversight of the election system in Michigan. In addition, the department maintains a Michigan Voter Information Center on the Web that provides a vast array of information on voter registration and election administration in the state.
- Provides \$23.6 million for information technology needs, including ongoing efforts to provide services online or by touch-tone telephone.

Fiscal Year 2007 Governor's Recommendation Department of State (\$ in Thousands)	
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	FY05 Appropriation	FY06 Current Law	FY07 Recommended
GF/GP	\$15,191.5	\$13,497.8	\$19,132.7
All Funds	\$223,272.1	\$197,378.4	\$204,793.5
	% Change - GF/GP	-11.1%	41.7%
	% Change - All Funds	-11.6%	3.8%

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Department of State Police

The Department of State Police provides leadership, coordination, and delivery of law enforcement services throughout the state. Through up-to-date training and technology, the Michigan State Police protect the residents of Michigan, reducing the opportunities for crime and ensuring a safe environment. *The Governor's proposed budget for fiscal year 2007 recommends total funding of \$578.5 million, of which \$255.3 million is general fund.*

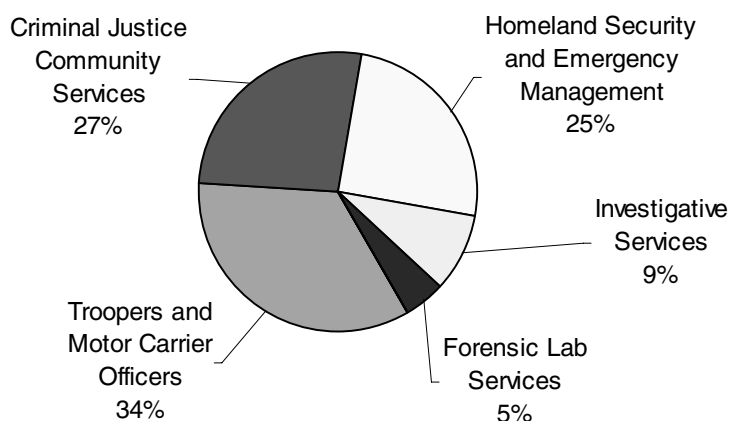
Budget Highlights - The fiscal year 2007 Executive Budget:

- Provides over \$128.9 million to support state troopers providing general law enforcement services to citizens in criminal and traffic related situations throughout the state.
- Includes \$10.7 million in Auto Theft Prevention Funds for grants to law enforcement agencies, prosecutors' offices, and non-profit organizations for programs to prevent automobile theft.
- Maintains \$22.7 million for the protection of highway infrastructure through commercial motor vehicle enforcement, which includes weigh station operations, road patrol, investigations of commercial motor vehicles, and safety related programs.
- Provides \$27.9 million for forensic science services including crime scene investigations, drug and toxicology analysis, DNA analysis, firearm examinations, arson evidence analysis, trace evidence analysis, and bomb squad emergency services.
- Maintains \$120.0 million in federal funds for statewide homeland security efforts.
- Includes \$9.2 million in the Michigan Justice Training Fund for the annual distribution of in-service training grants to local law enforcement agencies throughout the state, as well as competitive grants for criminal justice training of law enforcement officers, prosecutors, criminal defense attorneys, court officials and correctional officers.

Fiscal Year 2006 Supplemental

The Governor recommends a fiscal year 2006 supplemental of \$3.3 million. The supplemental includes \$1.1 million in federal support to assist in reducing forensic science backlogs and \$2.2 million in restricted funds for grants to law enforcement agencies, prosecutors' offices, and non-profit organizations for programs to prevent automobile theft.

State Police Provides Statewide Law Enforcement Services



Total: \$578.5 million

STATE POLICE

D-69

Fiscal Year 2007 Governor's Recommendation
Department of State Police
(\$ in Thousands)

	FY05 Appropriation	FY06 Current Law	FY07 Recommended
GF/GP	\$246,374.6	\$235,361.6	\$255,298.7
All Funds	\$488,223.7	\$550,810.1	\$578,496.8
	% Change - GF/GP	-4.5%	8.5%
	% Change - All Funds	12.8%	5.0%

Activities	GF/GP	All Funds
GOAL: PROTECT OUR CITIZENS AND MAKE MICHIGAN'S COMMUNITIES SAFER		
Troopers and Motor Carrier Officers	\$127,260.9	\$197,682.9
Criminal Justice Community Services	\$70,965.5	\$155,819.7
Homeland Security and Emergency Management	\$2,077.3	\$143,735.0
Investigative Services	\$34,566.1	\$53,130.8
Forensic Lab Services	\$20,230.4	\$27,929.9
GOAL: MAKE GOVERNMENT IN MICHIGAN MORE COST EFFECTIVE AND EFFICIENT		
Public Safety Officer's Benefit Program	\$150.0	\$150.0
GOAL: IMPROVE STUDENT ACHIEVEMENT		
Officer's Survivor Tuition Program	\$48.5	\$48.5
Total FY 2007 Recommendation		
	\$255,298.7	\$578,496.8

Department of Transportation

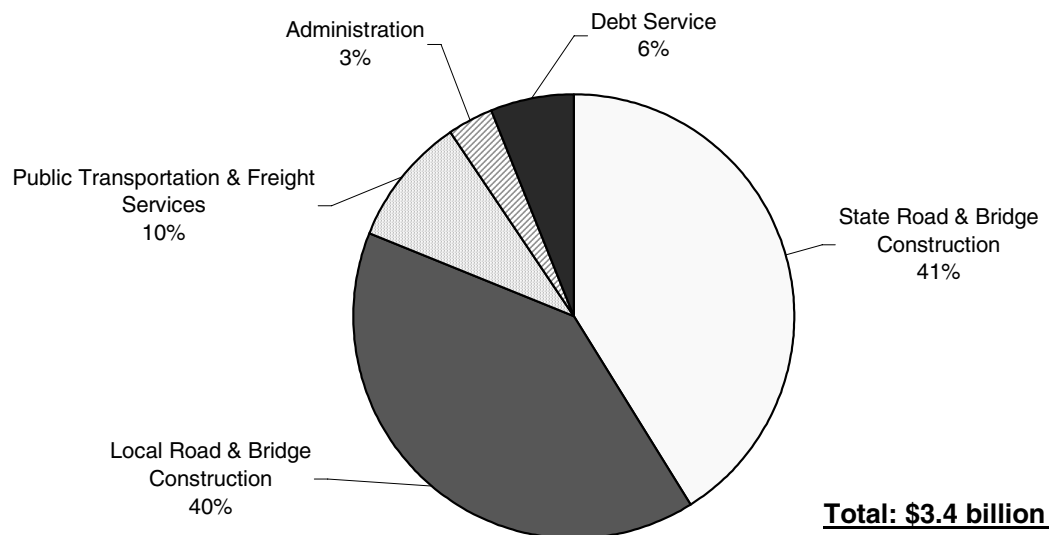
The Department of Transportation is committed to providing high quality integrated transportation services that foster economic development and improve the quality of life for Michigan's citizens. Through investments in the State's network of roads and bridges, public transportation systems, freight development, and aviation support programs, the department works to ensure a safe, efficient, and effective transportation infrastructure. *The Governor's proposed budget for fiscal year 2007 recommends total funding of \$3.4 billion, an increase of 1.6 percent, supported entirely with dedicated funds.*

As part of the department's five-year transportation program, it is anticipated over \$8.9 billion will be allocated for road and bridge construction, maintenance, and safety improvements over the next five years. The Governor's Jobs Today Initiative accelerates 158 new road and bridge projects starting in the current fiscal year, investing an additional \$618 million for critical road and bridge projects across the state.

"The Jobs Today Initiative and the investments we are announcing today will help put more Michigan workers back on the job. Local communities will benefit from transportation system improvements, and our state will benefit from the significant economic impact of the more than 11,000 jobs supported by these projects."

Governor Granholm, November 17, 2005

Local Roads Receive 40% of Transportation Funds



Budget Highlights - The fiscal year 2007 Executive Budget:

- Provides over \$2.3 billion for state and local road and bridge construction and economic development projects. Local units of government will receive \$1.3 billion to maintain and construct roads and bridges; \$37.9 million for infrastructure improvements targeting economic development; and \$30.5 million for local bridge repairs.

- Allocates \$275.2 million to maintain over 9,700 miles of state trunkline highways, an increase of 5.8 percent over current year levels. Over 52 percent of this funding is spent via contract with local road agencies for critical road maintenance services, including winter and preventative maintenance activities, hot and cold patching, and sign and signal maintenance.
- Continues the Governor's commitment to public transportation by recommending over \$278.8 million for local bus operating assistance and public transportation development programs, including an increase of \$33.4 million for local public transit agencies, specialized services for the elderly and disabled, and transportation to work programs.
- Continues \$8.2 million for rail passenger services, maintaining the Governor's commitment to support funding for the Pere Marquette (Grand Rapids to Chicago) and International (Port Huron to Chicago) lines at current levels. In addition, rail freight services is allocated over \$9.5 million, including an additional \$2.7 million for rail infrastructure and economic development grant and loan programs.
- Includes an overall debt service reduction of \$33.1 million, primarily due to the refinancing of \$400.0 million in previously issued bonds.
- Provides \$4.0 million for the new federal Safe Routes to School program. This program provides grants to state, local, regional agencies, and nonprofit organizations to encourage children to walk and bicycle to school, and to facilitate the planning, development, and implementation of projects and activities that will improve safety and reduce traffic, fuel consumption, and air pollution in the vicinity of schools.

In addition, the Capital Outlay budget recommendation includes \$22.1 million in building and facility projects, including the construction of a new Rosa L. Parks Integrated Transportation Campus in Detroit, and a new transportation service center in Oakland County. The Capital Outlay budget recommendation also provides \$162.9 million for airport safety and protection plan projects at aviation facilities located across the state.

Fiscal Year 2006 Supplemental

In addition to a previously transmitted supplemental request to restore funding for road projects and other key administrative areas, a fiscal year 2006 supplemental of \$3.0 million in federal support is recommended for the Safe Routes to School program to implement this new program in the current fiscal year.

<p align="center">Fiscal Year 2007 Governor's Recommendation Department of Transportation (\$ in Thousands)</p>	
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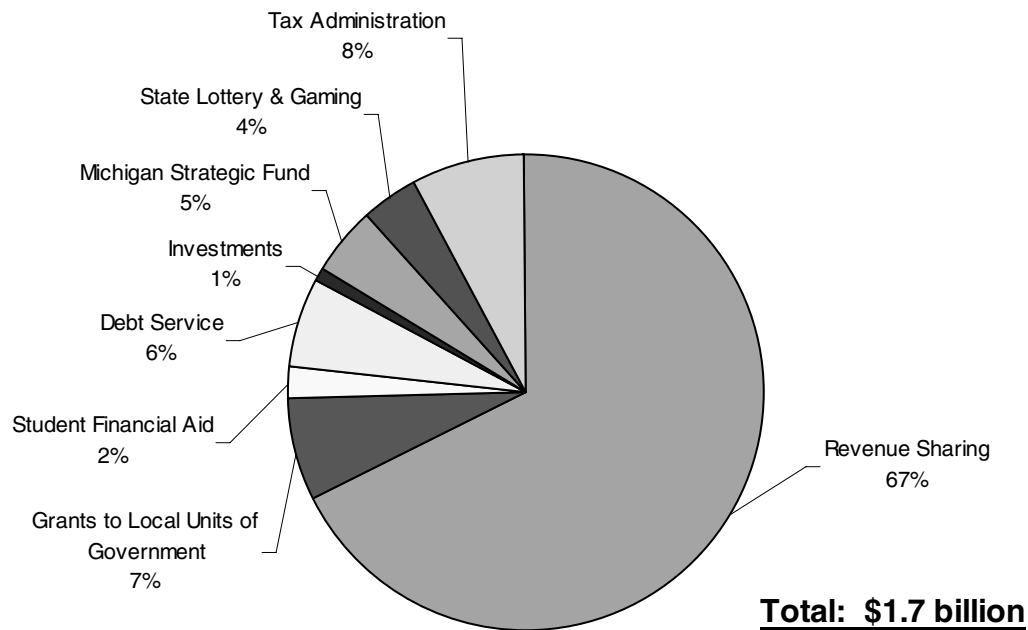
	FY05 Appropriation	FY06 Current Law	FY07 Recommended
GF/GP	\$0.0	\$0.0	\$0.0
All Funds	\$3,279,058.1	\$3,387,807.5	\$3,442,385.1
	% Change - GF/GP	0.0%	0.0%
	% Change - All Funds	3.3%	1.6%

Activities	GF/GP	All Funds
GOAL: SUSTAIN AND CREATE BUSINESS INVESTMENT AND JOBS IN MICHIGAN		
State Road & Bridge Construction and Maintenance	\$0.0	\$1,413,969.3
Local Road & Bridge Construction and Maintenance	\$0.0	\$1,340,390.3
Local Bus Operating Assistance & Transit Programs	\$0.0	\$283,258.5
Debt Service Obligations	\$0.0	\$207,620.0
Administrative Support Services	\$0.0	\$86,301.5
Transportation Economic Development Programs	\$0.0	\$42,360.2
Information Technology	\$0.0	\$27,876.5
Intercity Bus & Rail Services	\$0.0	\$17,601.3
Rail Freight Preservation Programs	\$0.0	\$14,414.0
Aeronautics Programs	\$0.0	\$7,693.5
Port Authority & Marine Services	\$0.0	\$900.0
Total FY 2007 Recommendation	\$0.0	\$3,442,385.1

Department of Treasury

The Department of Treasury is responsible for the administration of the state tax system, including tax collections, the investment of state funds, and safeguarding the credit rating of the state and local governments. The department forecasts state revenue, monitors economic activity, administers property tax laws, audits county and municipal financial records, and provides oversight of gaming and lottery operations. The department also administers revenue sharing payments to local units of government and manages student financial aid programs. *The Governor's proposed budget for fiscal year 2007 recommends total funding at \$1.7 billion, which includes over \$1.1 billion for revenue sharing payments to local units of government.*

Over 74% of Treasury Budget Supports Grants to Local Government



Budget Highlights -The fiscal year 2007 Executive Budget:

- Provides \$71.1 million to administer the state tax system including processing and auditing 5 million individual tax returns, involving the collection of \$5.9 billion in tax revenue; collecting over \$280 million annually in delinquent taxes and debt owed to the state; and returning approximately \$35 million in unclaimed property to rightful owners.
- Includes \$18.8 million to reimburse municipalities for deferred taxes on senior citizen housing facilities.
- Provides \$100.2 million for debt service obligations, including an additional \$5.1 million for anticipated new debt associated with Quality of Life bonds, Clean Michigan Initiative bonds, and Great Lakes Water Quality bonds.
- Provides \$35.3 million to administer higher education scholarship and student assistance programs. Over \$130 million in financial aid grants are awarded each year.

- Provide \$42.5 million in Lottery funds to administer a statewide lottery program. The Lottery is responsible for the distribution and sale of tickets in over 11,000 retail locations throughout the state which is expected to generate \$690 million for the School Aid Fund in 2007.
- Provides \$19.7 million for oversight of licensed casinos and suppliers. This includes monitoring, inspecting, and investigating gaming operations to ensure compliance with the law and with rules of the Casino Gaming Control Board by licensed casinos, suppliers, employees, and wagers.

Michigan Strategic Fund. The fiscal year 2007 budget also transfers \$79.9 million in funding for the Michigan Strategic Fund from the Department of Labor and Economic Growth to the Department of Treasury in accord with P.A. 225 of 2005. The Michigan Strategic Fund is responsible for overseeing the state's economic development strategies, including support for global and statewide business development, job creation, promotion of statewide tourism, and administration of the federal community development block grants. The agency also manages the 21st Century Jobs Trust Fund which was recently created to diversify Michigan's economy and provide for future economic growth in the state. This landmark package of legislation provides for \$1 billion in business and technological investment over the next 10 years and will foster the development and commercialization of competitive-edge technologies including life sciences, alternative energy, advanced automotive, homeland security, and electronic device technology design.

The Strategic Fund budget also:

- Provides \$9.8 million for Economic Development Job Training grants to provide job training assistance to Michigan businesses to improve the skills of current and future employees. Community colleges provide 70 percent of the training supported with these grants.
- Provides \$5.7 million for the Michigan Promotion Program. The funds in this program are used to promote Michigan as a tourism destination, and are in addition to the \$15 million earmarked for tourism promotion from the 21st Century Jobs Trust Fund.
- Dedicates \$17.5 million, \$14 million general fund, for job creation services supporting economic development programs such as Brownfield redevelopment, the Michigan Economic Growth Authority, industrial development revenue bonds, and renaissance zones.
- Recommends federal funding of \$45 million in Community Development Block Grant funds for eligible local community development projects requiring public infrastructure assistance.

Fiscal Year 2006 Supplemental

The Governor recommends supplemental appropriations of \$2.7 million to process appraisals on over 1,000 parcels of property owned by telephone and telegraph companies as required by P.A. 610 of 2002; \$750,000 to fund Qualified Agricultural Loan payments; and \$100,000 to design and open a 401(k) plan for workers in small companies that do not offer a pension plan.

Fiscal Year 2007 Governor's Recommendation
Department of Treasury
(\$ in Thousands)

	FY05* Appropriation	FY06 * Current Law	FY07 Recommended
GF/GP	\$146,108.8	\$143,574.3	\$170,867.0
All Funds	\$1,709,800.8	\$2,074,288.0	\$1,673,986.1
	% Change - GF/GP	-1.7%	19.0%
	% Change - All Funds	21.3%	-19.3%

Activities	GF/GP	All Funds
GOAL: MAKE GOVERNMENT IN MICHIGAN MORE COST EFFECTIVE AND EFFICIENT		
Revenue Sharing to Local Units of Government	\$1,071.4	\$1,114,471.4
Debt Service Payments	\$76,243.7	\$100,158.2
Grants to Local Units of Government	\$2,505.0	\$86,355.0
Tax Programs	\$7,963.6	\$71,139.3
Administrative and Financial Services	\$11,131.7	\$36,634.0
Information Technology	\$4,788.9	\$17,026.0
Local Government Operations	\$10,570.2	\$19,061.8
Investments	\$0.0	\$14,426.7
Common Cash and Debt Management	\$291.6	\$1,206.5
Administration	\$1,291.8	\$1,648.5
GOAL: IMPROVE STUDENT ACHIEVEMENT		
State Lottery	\$0.0	\$42,456.0
Student Financial Assistance Program	\$1,569.9	\$35,298.2
Casino Gaming	\$0.0	\$15,659.8
Renaissance Zone Reimbursement - Libraries	\$2,630.0	\$2,630.0
Merit Award Administration	\$0.0	\$1,544.2
Michigan Education Savings Program	\$0.0	\$1,000.0
GOAL: MAKE MICHIGAN'S PEOPLE HEALTHIER AND OUR FAMILIES STRONGER		
Senior Citizen Cooperative Housing Tax Exemption Program	\$18,800.0	\$18,800.0
Home Heating Assistance	\$0.0	\$2,101.3
GOAL: PROTECT OUR CITIZENS AND MAKE MICHIGAN'S COMMUNITIES SAFER		
Commercial Mobile Radio Service	\$0.0	\$7,830.0
Casino Gaming to Michigan State Police	\$0.0	\$4,059.4
GOAL: SUSTAIN AND CREATE BUSINESS INVESTMENT AND JOBS IN MICHIGAN		
Michigan Strategic Fund	\$32,009.2	\$80,479.8
*Adjusted for program transfers		
Total FY 2007 Recommendation	\$170,867.0	\$1,673,986.1

Background Information

	<u>Page</u>
Revenues and Expenditures	E 1
Consensus Economic Outlook	E 3
Revenue Estimates	E 7
Revenue Review	E 8
Capped Federal Funds Shared Between Departments	E 19
Special Revenue Funds Shared Between Departments	E 23
Summary of Expenditure Recommendation	E 27
Budget Schedule - by Agency	E 29
Historical Expenditures/Appropriations	E 31
Civil Service Pay Recommendations	E 33
Legislation Necessary to Implement FY 2006 Executive Budget	E 36

Web site address for this document: <http://www.michigan.gov/budget>

Fiscal Year 2007
Sources and Uses of General Fund/General Purpose
(in millions)

Estimated Beginning Fund Balance, October 1, 2006	\$79.8
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REVENUES:

Estimated January Consensus Net Revenues	\$8,377.2
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Adjusted January Consensus Net Revenues	\$9,041.2
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Proposed Adjustments:

Tax expenditures	88.4
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Charge School Aid Fund for short term borrowing costs	22.8
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Liquor Purchase Revolving Fund	<u>23.0</u>
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Total Sources of Funds	\$9,255.2
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EXPENDITURES:

Fiscal Year 2007 Executive Recommendation	\$9,252.9
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Total Uses of Funds	<u>\$9,252.9</u>
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Ending Fund Balance, September 30, 2007	<u><u>\$2.3</u></u>
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Fiscal Year 2007
Sources and Uses of All Funds
(in millions)

Estimated Beginning Unreserved Fund Balance, October 1, 2006	\$803.3
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REVENUES:

Fiscal Year 2007 Revenue Estimate	\$41,819.5
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Adjustments Included in Revenue Estimate:

Tax Expenditures	\$88.4
Charge School Aid Fund for short term borrowing	22.8
Liquor Purchase Revolving Fund	23.0

TOTAL REVENUES	<u>\$41,819.5</u>
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Total Sources of Funds	\$42,622.8
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EXPENDITURES:

Fiscal Year 2007 Executive Recommendation	\$42,585.4
Less: Interdepartmental Grants and Transfers	(702.9)

Total Uses of Funds	<u>\$41,882.5</u>
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Excess of Sources Over Uses	<u><u>\$740.3</u></u>
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Consensus Economic Outlook

The economic and revenue outlooks were agreed to at the January 12, 2006, Consensus Revenue Estimating Conference by the Administration, House Fiscal Agency, and Senate Fiscal Agency.

2005 U.S. Economic Review

The current U.S. economic expansion is now four years old, having begun in November 2001. Calendar year 2005 real GDP is estimated to have grown by 3.6 percent, down from 4.2 percent growth in 2004.

Light vehicle sales, boosted by continued aggressive incentive programs, exceeded 16.5 million units for the seventh straight year. Fueled by historically low interest rates, housing starts rose to their second highest level on record. Existing home sales also remained strong. The booming housing market and accompanying high levels of mortgage equity extraction have played a central role in supporting economic growth. Housing prices grew at their fastest pace in at least 15 years, while the stock market (as measured by the Standard & Poor's 500 Index) posted only modest gains.

U.S. employment has increased each month since mid-2003. As a result of the Gulf hurricanes, employment gains slowed substantially in September and October 2005. Nevertheless, employment gains in 2005 averaged 170,000 jobs a month. Monthly U.S. employment now exceeds its pre-recession peak by 1.9 million jobs. For calendar year 2005, U.S. employment rose 1.6 percent, its fastest calendar year growth since 2000. The U.S. unemployment rate averaged 5.1 percent in 2005, down from 5.5 percent in 2004.

Beginning in June 2004, the Federal Reserve Open Market Committee (FOMC) has increased the target federal funds rate 25 basis points at each of its meetings. At its December 2005 meeting, the Committee raised the target rate for the thirteenth time, increasing the rate to 4.25 percent, the highest federal funds rate in over four years. During the 2001 downturn, the FOMC had reduced the federal funds rate to the lowest level in more than 40 years. As the expansion has taken hold, the FOMC has been raising rates to reduce monetary stimulus.

Energy prices rose sharply in 2005, in part due to the Gulf hurricanes. December 2005 oil prices were up about 25 percent from a year ago (three month average). Natural gas prices were up more than 70 percent from a year ago. Overall consumer prices increased at their fastest rate since 2000. However, core consumer inflation (excluding volatile food and energy prices) remained relatively contained.

The Conference Board's index of leading economic indicators suggest that the national economy has recovered well from the dampening impact of the Gulf hurricanes.

2005 Michigan Economic Review

Michigan's economy relies heavily on the performance of the manufacturing sector in general and the auto industry specifically. Given extremely weak manufacturing employment performance, declining vehicle production, continued declines in Big 3 market share along with continued supply rationalization among vehicle suppliers, Michigan's employment performance has been below the national average. Substantial productivity gains in the vehicle industry have also contributed to Michigan's sub-par employment performance.

From Michigan's employment peak in June 2000 compared to December 2005, Michigan has lost 325,000 jobs. Over the same period, manufacturing employment has declined even more sharply, declining by one-fourth. However, overall employment declines have slowed considerably since December 2002. Since the end of 2002, monthly declines have slowed by more than half. Through December 2005, Michigan wage and salary employment has risen in four of the past five months.

Based on preliminary estimates, Michigan's unemployment rate fell from 7.1 percent to 6.8 percent in 2005. 2005 marked the first year since 2000 in which the State's unemployment rate declined.

There are two measures of State employment: household employment derived from a household survey that provides a count of the number of persons employed and a payroll survey that provides a count of the number of jobs in the economy. These two employment measures have been sending mixed messages about the state of Michigan's labor market. While payroll employment was down by nearly 1.0 percent in December 2005 compared to a year ago, household employment was *up* by more than 1.0 percent.

Wages and salaries income is estimated to have grown by 3.6 percent in 2005, while overall personal income increased by an estimated 3.4 percent.

2006 and 2007 U.S. Consensus Economic Outlook

Real GDP is forecast to grow 3.2 percent in 2006 and 3.0 percent in 2007, down from an estimated 3.6 percent growth rate in 2005 (See Table L-1). High levels of productivity, business investment, and an improving job market will help support growth. Deficit constrained federal spending, rising interest rates and a slowing housing market will mute growth.

Light vehicle sales are forecast to be 16.7 million units in 2006 and 16.8 million in 2007. Inflation is projected to remain moderate at 2.7 percent and 2.0 percent in 2006 and 2007, respectively. Interest rates are forecast to continue to rise.

The U.S. unemployment rate is projected to remain relatively stable over the next two years with a 4.9 percent unemployment rate in both 2006 and 2007.

2006 and 2007 Michigan Consensus Economic Outlook

Michigan wage and salary employment is forecast to decline 0.6 percent in 2006 and remain flat in 2007. Michigan's unemployment rate is forecast to average 7.1 percent in both 2006 and 2007. Continued restructuring at the domestic Big 3 automakers and major automotive parts suppliers will continue to retrain Michigan employment.

Michigan personal income is forecast to increase 4.2 percent in 2006 and 4.4 percent in 2007. Inflation, as measured by the Detroit CPI, is forecast to be 2.6 percent in 2006 and 1.9 percent in 2007. As a result, real Michigan personal income (inflation adjusted) is expected to rise 1.5 percent in 2006 and 2.5 percent in 2007.

In FY 2006, Michigan wages and salaries are expected to grow by 2.4 percent and then accelerate to 2.7 percent growth in FY 2007. Disposable income is expected to rise 3.8 percent in 2006 and 4.3 percent in 2007. The inflation rate is expected to remain moderate at 2.9 percent in FY 2006 and 1.8 percent in FY 2007.

Forecast Risks

A major supply disruption, increased demand or heightened geopolitical tensions could raise oil prices well above the baseline forecast projections. This, in turn, would slow domestic demand more than forecasted.

If international confidence in the dollar declines dramatically, the value of the dollar may fall sharply. A plummeting dollar could roil financial markets, severely curtailing both consumption and investment, and thus slow economic growth sharply.

Firms' increased pricing power, increased obsolescence of current capacity, tighter labor markets, higher commodity prices, and rising health care and pension costs may lead to higher inflation than the baseline forecast projects. This higher inflation rate may crimp consumption and investment spending - especially if accompanied by even more aggressive inflation fighting on the part of the Federal Reserve.

A flattening or an outright decline in home prices would severely slow economic growth. Further, if a national housing bubble does exist and it bursts over the forecast horizon, there is a chance that the U.S. economy could slow severely. Coupled with other risks materializing, such as sharply higher oil prices and a rapidly declining dollar, a collapsing housing market could send the U.S. economy into a recession.

Geopolitical factors remain a forecast risk.

Table L-1
Consensus Economic Forecast

January 2006

	Calendar 2004 Actual	Calendar 2005 Forecast	Percent Change from Prior Year	Calendar 2006 Forecast	Percent Change from Prior Year	Calendar 2007 Forecast	Percent Change from Prior Year
United States							
Real Gross Domestic Product (Billions of Chained 2000 Dollars)	\$10,756	\$11,143	3.6%	\$11,500	3.2%	\$11,845	3.0%
Implicit Price Deflator GDP (2000 = 100)	109.1	112.0	2.7%	115.0	2.7%	118.0	2.6%
Consumer Price Index (1982-84 = 100)	188.9	195.3	3.4%	200.6	2.7%	204.6	2.0%
Personal Consumption Deflator (2000 = 100)	108.2	111.2	2.8%	113.6	2.2%	115.9	2.0%
3-month Treasury Bills Interest Rate (percent)	1.4	3.2		4.6		4.8	
Aaa Corporate Bonds Interest Rate (percent)	5.6	5.3		6.2		6.8	
Unemployment Rate - Civilian (percent)	5.5	5.1		4.9		4.9	
Light Vehicle Sales (millions of units)	16.9	16.8	-0.6%	16.7	-0.6%	16.8	0.6%
Passenger Car Sales (millions of units)	7.5	7.7	2.0%	7.9	2.6%	7.9	0.0%
Light Truck Sales (millions of units)	9.4	9.2	-2.7%	8.9	-3.3%	9.0	1.1%
Import Share of Light Vehicles (percent)	20.2	20.2		21.8		21.8	
Michigan							
Wage and Salary Employment (thousands)	4,391	4,360	-0.7%	4,334	-0.6%	4,334	0.0%
Unemployment Rate (percent)	7.1	6.8		7.1		7.1	
Personal Income (millions of dollars)	\$324,134	\$335,155	3.4%	\$349,231	4.2%	\$364,597	4.4%
Real Personal Income (millions of 1982-84 dollars)	\$174,830	\$175,842	0.6%	\$178,543	1.5%	\$182,939	2.5%
Wages and Salaries (millions of dollars)	\$180,245	\$186,734	3.6%	\$191,029	2.3%	\$197,142	3.2%
Detroit Consumer Price Index (1982-84 = 100)	185.4	190.6	2.8%	195.6	2.6%	199.3	1.9%
Detroit CPI Fiscal Year (1982-84 = 100)	184.4	189.0	2.5%	194.5	2.9%	198.0	1.8%

Revenue Estimates

Fiscal Year 2005 Revenue

Michigan revenues showed modest improvement in FY 2005. On a Consensus basis, FY 2005 General Fund-General Purpose (GF-GP) revenues grew 3.2 percent to \$8,298.8 million. Several unusually large estate tax and audit payments contributed to this growth. School Aid Fund (SAF) revenue grew 2.8 percent in FY 2005 to \$10,909.7 million.

Fiscal Year 2006 and Fiscal Year 2007 Revenue Estimates

On January 12, 2006, the Administration and the House and Senate Fiscal Agencies reached a consensus on projected revenues for FY 2006 and FY 2007. Agreement was reached on baseline revenue forecasts and on the effect of enacted tax cuts. The January 2006 Consensus revenue estimates are used for the Governor's *Executive Budget*. The economic and revenue forecasts will be reviewed again at the May consensus conference before the final budget bills are passed by the legislature.

A number of factors contribute to slower GF-GP growth in FY 2006. These factors include both economic and tax changes. Continued restructuring by the domestic auto industry will curtail Michigan employment growth. In addition, the implementation of several changes made to the single business tax in late 2005 will reduce growth. For FY 2006, GF-GP revenues on a Consensus basis are forecast to decline by 1.1 percent to \$8,207.8 million. After factoring in proposed tax changes and other budget measures, total GF-GP revenue is expected to be \$8,876.1 million. On a Consensus basis, net FY 2006 SAF revenue is expected to grow 2.9 percent to \$11,230.9 million. Including transfers, federal aid, and other budget measures, FY 2006 SAF revenue will total \$12,733.7 million.

FY 2007 GF-GP revenue will total \$8,377.2 million on a Consensus basis, a 2.1 percent increase over FY 2006. After factoring in proposed tax changes and other budget measures, total GF-GP revenue is expected to be \$9,187.7 million. On a Consensus basis, net FY 2007 SAF revenue is expected to increase by 3.2 percent to \$11,591.1 million. After factoring in proposed changes, federal aid, transfers, and other budget measures, SAF revenue will total \$13,038.8 million.

Overall FY 2007 Revenue

Total net revenue for all funds is estimated to be \$42.7 billion in FY 2007. A summary of revenues by fund is presented on page C-8. The Detailed Statement of General and Special Revenue Funds presents information for FY 2004 through FY 2007.

Projected Revenues FY 2006 - 2007

(millions)

	<u>FY 2006 - 2007</u>
General Fund - General Purpose	
Consensus Estimate	8,377.2
Total Adjustments	<u>798.2</u>
Total General Fund - General Purpose	9,175.4
 School Aid Fund	
Consensus Estimate	11,591.1
Transfers and Federal Aid	1,447.7
Total Adjustments	<u>0.0</u>
Total SAF Revenue	13,038.8
 Transportation Funds	4,584.3
 Special Revenue & Permanent Funds	5,379.7
 Federal Aid (Not Elsewhere Itemized)	<u>10,692.2</u>
 Sub-Total All Funds	42,870.4
 Fund Balances Available	<u>803.3</u>
 Gross Total All Resources	43,673.7
 Less Interfund Transfers (excluding GF-GP)	<u>(1,050.9)</u>
 Net Total All Resources	<u><u>\$ 42,622.8</u></u>

Economic & Revenue Forecasting Division
Michigan Department of Treasury
February 2006

DETAILED STATEMENT OF GENERAL AND SPECIAL REVENUE FUNDS

	ACTUAL FY 2003 - 2004	ACTUAL FY 2004 - 2005	ESTIMATES FY 2005 - 2006	ESTIMATES FY 2006 - 2007
GENERAL FUND - GENERAL PURPOSE REVENUE				
TAXES				
Individual Income ⁽¹⁾	5,571,912,111	5,731,899,474	5,823,800,000	5,995,900,000
Less: Refunds	(1,594,189,111)	(1,610,798,509)	(1,696,000,000)	(1,775,000,000)
Net Individual Income	3,977,723,000	4,121,100,965	4,127,800,000	4,220,900,000
Single Business	1,827,638,969	1,913,518,062	1,817,900,000	1,848,400,000
Sales ⁽²⁾	378,067,398	615,409,994	105,300,000	113,800,000
Use	877,381,317	934,621,530	961,500,000	1,002,300,000
Insurance Company Premium Retaliatory	230,269,623	249,521,112	255,000,000	266,000,000
Cigarette Excise ⁽³⁾	242,704,160	116,533,245	231,300,000	227,300,000
Utility Property	102,478,488	100,315,746	83,000,000	80,000,000
Horse Race Wagering	2,025,000	2,025,000	0	0
Casino Gaming Wagering	3,214,274	42,176,778	43,200,000	43,400,000
Penalties and Interest	104,377,940	142,515,556	145,700,000	152,400,000
Intangibles	65,982	(11,775)	0	0
Estate / Inheritance	75,540,787	101,473,284	5,000,000	0
Beer and Wine Excise	51,510,558	50,959,136	52,000,000	52,000,000
Oil and Gas Severance	57,069,753	66,652,066	84,000,000	68,000,000
Liquor Specific ⁽⁴⁾	32,992,574	33,638,501	34,000,000	34,500,000
Other	10,547	0	0	0
Enhanced Enforcement and ACS ⁽⁵⁾	(81,567,293)	(91,247,602)	(92,000,000)	(92,000,000)
TOTAL GF - GP TAXES	7,881,503,077	8,399,201,596	7,853,700,000	8,017,000,000

⁽¹⁾ See also School Aid Fund.

⁽²⁾ See General Fund Special Purpose Revenue, School Aid Fund, and Comprehensive Transportation Fund.

⁽³⁾ See also General Fund Special Purpose Revenue and School Aid Fund.

⁽⁴⁾ See also School Aid Fund.

⁽⁵⁾ Restricted revenues supporting Treasury collection activities are shown here as negatives.

Prepared by Economic & Revenue Forecasting Division, Michigan Department of Treasury

DETAILED STATEMENT OF GENERAL AND SPECIAL REVENUE FUNDS

	ACTUAL FY 2003 - 2004	ACTUAL FY 2004 - 2005	ESTIMATES FY 2005 - 2006	ESTIMATES FY 2006 - 2007
GENERAL FUND - GENERAL PURPOSE REVENUE				
NON-TAX REVENUE				
Federal Aid	248,353,667	35,706,867	35,000,000	35,000,000
Local Agencies	2,939,397	312,144	2,000,000	2,000,000
Services	17,843,252	19,817,759	18,000,000	18,000,000
Licenses & Permits	55,181,059	27,351,285	34,000,000	34,000,000
Miscellaneous	165,048,012	235,154,027	183,600,000	192,700,000
Interest and Investment Profits	239,697	198,300	(70,000,000)	(75,000,000)
TOTAL GF - GP NON-TAX REVENUE	489,605,084	318,540,382	202,600,000	206,700,000
TRANSFERS FROM OUTSIDE GENERAL & SPECIAL REVENUE FUNDS				
Other Interfund Transfers Received	193,005,301	169,140,378	0	0
Liquor Purchase Revolving Fund	139,445,345	142,196,395	140,000,000	142,000,000
Transfers From Lottery Charitable Gaming and Other Funds	12,203,298	11,728,946	11,500,000	11,500,000
TOTAL GF - GP TRANSFERS	344,653,944	323,065,719	151,500,000	153,500,000
General Fund - General Purpose Summary				
GF - GP Tax Revenue	7,881,503,077	8,399,201,596	7,853,700,000	8,017,000,000
GF - GP Non-Tax Revenue	489,605,084	318,540,382	202,600,000	206,700,000
GF - GP Transfers	344,653,944	323,065,719	151,500,000	153,500,000
TOTAL GENERAL FUND-GENERAL PURPOSE before Interfund Transfers	8,715,762,105	9,040,807,696	8,207,800,000	8,377,200,000
LESS: Interfund Transfers	(193,005,301)	(169,140,378)	0	0
CONSENSUS TOTAL GENERAL FUND-GENERAL PURPOSE	8,522,756,804	8,871,667,318	8,207,800,000	8,377,200,000
Excluding interfund transfers to GF-GP				
BUDGET ADJUSTMENTS				
Revenue Sharing Reductions	NA	NA	550,500,000	600,200,000
Proceeds from Land Sales	NA	NA	47,000,000	28,000,000
Rezonementation Fund Transfer to GF	NA	NA	15,000,000	0
Interest Earnings from Securitization	NA	NA	10,000,000	15,000,000
Comprehensive Transportation Fund Transfer	NA	NA	10,800,000	0
Other Adjustments	NA	NA	33,000,000	20,800,000
TOTAL ENACTED ADJUSTMENTS	NA	NA	666,300,000	664,000,000
ADJUSTMENTS RECOMMENDED IN EXECUTIVE BUDGET				
Tax Expenditures - General Fund	NA	NA	0	88,400,000
Tax Expenditures - Charge School Aid Fund for Short Term Borrowing Costs	NA	NA	0	22,800,000
Liquor Purchase Revolving Fund	NA	NA	0	22,967,100
TOTAL PROPOSED ADJUSTMENTS	NA	NA	0	134,167,100
TOTAL GENERAL FUND-GENERAL PURPOSE WITH ADJUSTMENTS	8,522,756,804	8,871,667,318	8,874,100,000	9,175,367,100
Excluding interfund transfers to GF-GP				

DETAILED STATEMENT OF GENERAL AND SPECIAL REVENUE FUNDS

	ACTUAL FY 2003 - 2004	ACTUAL FY 2004 - 2005	ESTIMATES FY 2005 - 2006	ESTIMATES FY 2006 - 2007
GENERAL FUND-SPECIAL PURPOSE/SPECIAL REVENUE AND PERMANENT FUNDS (EXCLUDING FEDERAL AID)				
Air Emission Fees	11,159,282	11,341,566	11,200,000	11,200,000
Airport Parking Revenue	14,825,259	17,837,947	21,250,000	24,900,000
Auto Repair Facilities Fees	4,041,926	3,749,237	4,100,000	4,100,000
Auto Theft Prevention Fund	6,426,828	6,713,953	6,770,000	6,770,000
Bottle Deposits Fund	38,560,670	23,035,694	16,652,400	18,496,900
Budget Stabilization Fund	81,257,544	1,994,969	100,000	100,000
Child Support Collections	42,461,019	39,144,936	47,710,700	47,710,700
Children's Trust Fund	2,480,409	2,413,155	3,314,400	3,326,900
Civil Infraction Fee	7,131,826	7,138,932	7,000,000	7,514,400
Civilian Conservation Endowment Fund	689,541	693,316	970,200	5,970,200
Commercial Mobile Radio Service	28,209,142	28,344,021	38,250,000	26,130,000
Conservation and Recreation Bond Proceeds	58,621,554	74,722,082	60,000,000	70,000,000
Construction Lien Recovery Fund	381,324	5,016,951	1,580,000	1,570,000
Contributions to Children of Veterans Tuition Grant Program	0	0	0	1,000,000
Convention Facility Development Fund	48,694,796	50,428,980	57,300,000	54,200,000
Corporation Fees	13,192,445	16,859,245	21,152,000	21,147,000
Court Equity Fund	45,992,830	45,745,528	50,440,000	50,440,000
Court Fee Fund	6,545,570	6,712,074	7,090,200	7,090,200
Criminal Justice Info Cntr Service Fees	5,938,473	7,317,445	9,696,200	10,522,300
Delinquent Tax Collection Revenue	60,100,184	69,002,805	67,000,000	67,000,000
Driver Fees	12,843,131	15,207,556	27,800,000	30,800,000
Equine Development Fund	10,432,244	15,079,519	22,700,000	22,700,000
Fees and Collections	5,312,258	5,394,306	7,277,500	7,539,000
Forest Development Fund	27,531,483	33,379,965	30,411,800	30,284,900
Game and Fish Protection Fund	62,256,741	65,126,968	64,314,100	63,160,500

DETAILED STATEMENT OF GENERAL AND SPECIAL REVENUE FUNDS

	ACTUAL FY 2003 - 2004	ACTUAL FY 2004 - 2005	ESTIMATES FY 2005 - 2006	ESTIMATES FY 2006 - 2007
Game and Fish Protection Trust Fund	13,612,010	17,890,617	13,028,200	12,028,200
Groundwater & Freshwater Protection Fund	4,272,556	3,794,035	5,000,000	5,100,000
Group Insurance Fund, Flexible Spending and COBRA	5,621,231	5,697,925	8,451,200	8,559,800
Health and Safety Fund - Counties	20,647,560	20,978,712	20,600,000	20,300,000
Health Professions Regulatory Fund	15,240,896	15,985,644	17,017,000	17,240,000
Healthy Michigan Fund	51,377,524	43,433,589	42,300,000	43,532,000
Highway Safety Fund	13,807,299	14,303,246	15,585,000	15,596,300
Income and Assessments	18,952,751	19,349,496	21,182,900	19,982,800
Individual Income Tax - Refunds	702,700,000	815,300,000	0	0
Insurance Licensing Fees	5,343,902	6,012,171	5,348,300	5,343,300
Insurance Regulatory Fees	9,196,471	8,042,623	16,431,000	18,239,500
Judicial Technology Improvement Fund	4,191,460	2,762,618	4,465,000	4,465,000
Juror Compensation Fund	5,437,708	1,182,172	6,600,000	6,600,000
Land Reutilization Fund	7,074,734	6,158,028	3,800,000	3,000,000
Licensing & Inspection Fees	5,498,482	5,756,222	6,700,000	6,500,000
Licensing & Regulation Fees	14,751,893	10,005,331	13,132,900	14,458,900
Liquor License Revenue	11,193,898	11,423,170	11,424,000	35,210,600
Liquor Operations	11,094,364	12,096,893	23,436,800	1,342,300
Local Funds - County Payback	55,000,958	52,861,593	50,330,400	52,353,100
Local Revenues - DCH	668,590,109	431,997,199	220,537,000	241,177,400
Local Vocational Rehabilitation Match	6,202,331	6,063,060	9,684,500	9,684,500
Look-up Fees	26,433,077	34,228,173	0	0
Lottery Operations	33,856,921	36,138,380	43,872,000	44,506,100
Low Income and Energy Efficiency Fund	38,482,963	39,939,299	60,000,000	60,000,000
Mackinac Island State Park Fund	950,000	997,500	1,534,900	1,768,100
Manufacturer Rebates	0	0	53,250,500	58,452,100
Michigan Accounts Receivable Collection System Revenue	21,564,851	21,982,534	25,000,000	25,000,000
Marine Safety Fund	5,123,261	5,560,612	5,030,200	4,985,700
Medicaid Benefits Trust Fund	179,816,055	518,908,600	388,100,000	409,200,000
Merit Award Trust Fund	203,796,310	212,198,420	285,700,000	286,600,000
Michigan Underground Storage Tank Financial Assurance Fund	59,583,486	7,166	0	0
Michigan Employment Security Contingent Fund	11,089,390	9,949,173	6,739,100	9,950,300
Michigan Health Initiative Fund	9,150,332	9,107,896	9,000,000	10,335,900
Michigan Higher Education Assistance and Student Loan Authorities	18,223,869	22,320,595	33,368,600	33,805,000
Michigan Higher Education Assistance Authority Operating Fund	0	0	3,000,000	0
Michigan Justice Training Fund	6,192,029	6,355,230	6,657,100	6,657,100

DETAILED STATEMENT OF GENERAL AND SPECIAL REVENUE FUNDS

	ACTUAL FY 2003 - 2004	ACTUAL FY 2004 - 2005	ESTIMATES FY 2005 - 2006	ESTIMATES FY 2006 - 2007
Michigan Natural Resources Trust Fund	64,991,019	83,674,413	45,300,900	54,743,500
Michigan Nongame Fish and Wildlife Fund	515,035	506,958	556,300	556,300
Michigan State Fair/Exposition and Fairgrounds Fund	5,869,959	5,929,451	6,218,000	6,218,000
Michigan State Industries	13,763,185	14,845,186	18,769,900	19,490,500
Michigan State Housing Development Authority	18,598,617	19,912,978	39,476,100	40,752,800
Michigan State Parks Endowment Fund	15,070,948	16,882,996	16,230,900	16,230,900
Michigan State Waterways Fund	23,154,786	24,755,666	24,726,600	25,511,900
Michigan Veterans' Trust Fund	2,581,648	2,314,792	4,887,600	4,929,800
Motor Carrier Fees	5,347,801	3,365,811	4,249,900	4,439,800
Newborn Screening Fees	7,509,125	7,120,142	7,200,000	8,059,900
Nonpoint Discharge Elimination System Fees	2,761,034	2,842,270	2,809,550	2,809,600
Oil and Gas Regulatory Fund	4,799,193	5,970,875	10,071,354	9,000,000
Parole and Probation Oversight Fees	7,674,900	7,964,790	9,905,100	10,329,700
Public Utility Assessments	15,155,330	16,021,291	20,244,200	21,770,700
Quality Assurance Assessment Tax	325,188,099	510,212,157	627,296,400	874,639,600
Refined Petroleum Fund	30,000,000	117,705,696	60,000,000	62,162,800
Remonumentation Fees	14,743,459	11,262,804	10,550,000	10,550,000
Retirement Operations	33,613,097	37,988,720	32,500,100	37,329,400
Safety Education and Training	6,949,547	7,100,431	7,125,000	7,125,000
Sales Tax - Revenue Sharing	1,304,715,597	1,112,047,431	1,108,200,000	1,113,400,000
Scrap Tire Regulatory Fund	4,851,250	4,720,261	4,677,500	4,572,500
Second Injury Fund	11,279,970	14,480,415	16,000,000	16,000,000
Secondary Road Patrol & Training Fund	13,699,897	13,821,909	13,516,500	13,528,100
Securities Fees	10,204,731	13,484,738	15,700,000	16,869,900
Self Insurer's Security Fund	12,255,056	11,592,514	11,500,000	11,500,000
Snowmobile Registration Fee Revenue	1,131,224	1,245,275	1,779,800	2,025,400
Snowmobile Trail Improvement Sub Fund	8,601,810	8,884,121	8,907,600	9,125,400
Solid Waste Program Fees	5,515,873	4,671,339	4,100,000	4,000,000
Special Financing Revenues - Medicaid	0	0	141,900,300	146,099,500
Supplemental Security Income Recoveries	3,753,900	7,016,386	9,938,100	9,958,700
State Campaign Funds	1,403,943	1,485,604	1,500,000	1,500,000
State Casino Gaming Fund	30,155,462	30,442,179	31,719,365	31,982,533
State Construction Code Fund	12,642,171	11,668,822	11,978,400	10,216,100

DETAILED STATEMENT OF GENERAL AND SPECIAL REVENUE FUNDS

	ACTUAL FY 2003 - 2004	ACTUAL FY 2004 - 2005	ESTIMATES FY 2005 - 2006	ESTIMATES FY 2006 - 2007
State Court Sub - Fund	7,849,805	7,610,567	8,276,000	8,276,000
State Park Improvement Fund	34,035,112	36,695,560	41,488,300	41,455,600
Telephone Fees & Commissions	8,752,422	9,915,363	13,192,100	12,677,700
Tobacco Settlement Trust Fund	68,322,875	70,278,814	0	0
Traffic Law Enforcement and Safety	24,000,559	25,327,792	31,535,800	29,555,000
Transportation Admin Collection Fund	61,455,620	70,844,132	106,700,000	110,767,000
Twenty-First Century Jobs Fund	0	0	400,000,000	0
Victims Services Fund	8,282,278	9,343,347	8,560,000	10,942,400
Other Restricted Revenues	413,014,202	445,027,083	462,009,550	472,947,550
Total GF-Special Purpose/Special Revenue & Permanent Funds	5,503,367,702	5,788,170,147	5,421,683,319	5,379,696,583
Less: Interfund Transfers	(307,722,546)	(184,381,138)	(81,649,500)	(85,191,500)
Net Total GF-Special Purpose/Special Revenue & Permanent Funds	5,195,645,156	5,603,789,009	5,340,033,819	5,294,505,083
FEDERAL AID NOT ELSEWHERE ITEMIZED:				
Federal Aid: Agriculture	20,438,684	23,919,087	32,581,700	22,757,000
Federal Aid: Attorney General	3,341,486	3,067,146	8,799,400	10,236,500
Federal Aid: Capital Outlay (excluding Transportation)	27,557,697	21,673,386	30,382,600	10,720,000
Federal Aid: Civil Rights	834,432	1,636,915	1,049,800	1,566,200
Federal Aid: Civil Service	0	0	4,779,100	4,779,100
Federal Aid: Community Health	5,567,082,275	5,682,218,778	5,533,597,400	6,103,178,000
Federal Aid: Corrections	22,840,646	4,052,211	11,410,200	11,431,500
Federal Aid: Education	41,117,134	51,888,248	70,519,400	67,570,600
Federal Aid: Environmental Quality	42,947,779	47,428,803	144,062,700	140,338,500
Federal Aid: Human Services (FIA)	2,747,565,026	2,925,385,619	3,220,580,100	3,147,082,900
Federal Aid: Higher Education - Grants	4,423,640	2,763,830	3,500,000	3,000,000
Federal Aid: History, Arts and Libraries	5,900,437	7,554,328	8,218,300	8,450,900
Federal Aid: Judiciary	2,721,940	2,896,015	3,926,400	3,926,400
Federal Aid: Labor and Economic Growth	618,538,734	614,256,363	787,078,700	795,345,800
Federal Aid: Military Affairs	42,605,853	45,035,328	49,537,200	51,190,700
Federal Aid: Natural Resources	26,260,126	32,601,046	38,990,200	42,964,300
Federal Aid: State	3,142,509	15,751,889	2,943,300	3,052,100
Federal Aid: State Police	61,540,306	97,470,415	182,821,000	181,013,300
Federal Aid: Treasury	63,835	0	83,427,200	83,593,300
TOTAL FEDERAL AID excluding Transportation and School Aid	9,238,922,539	9,579,599,407	10,218,204,700	10,692,197,100

DETAILED STATEMENT OF GENERAL AND SPECIAL REVENUE FUNDS

	ACTUAL FY 2003 - 2004	ACTUAL FY 2004 - 2005	ESTIMATES FY 2005 - 2006	ESTIMATES FY 2006 - 2007
SCHOOL AID FUND REVENUE				
TAXES and LOTTERY				
Sales Tax	4,716,692,842	4,805,748,680	4,949,800,000	5,133,800,000
Use Tax	439,090,659	467,710,765	480,800,000	501,100,000
Income Tax Earmarking	1,893,356,719	1,985,493,107	2,041,400,000	2,101,500,000
State Education Tax	1,824,493,369	1,914,629,181	2,010,000,000	2,108,000,000
Real Estate Transfer Tax	317,480,372	313,548,086	310,000,000	308,000,000
Tobacco	485,154,421	472,680,898	469,800,000	460,700,000
Industrial & Commercial Facilities Tax	150,159,266	138,243,586	136,000,000	139,000,000
Casino Wagering Tax	95,781,163	97,609,114	100,000,000	100,400,000
Liquor Excise Tax	32,404,798	33,111,943	34,000,000	34,500,000
Other Specific Taxes	15,845,033	13,558,515	14,100,000	14,100,000
Sub-Total SAF Taxes	9,970,458,642	10,242,333,875	10,545,900,000	10,901,100,000
NON-TAX REVENUE				
Transfer from Lottery Ticket Sales	644,882,841	667,579,438	685,000,000	690,000,000
Federal Aid	1,256,727,255	1,321,710,451	1,392,587,300	1,412,736,800
Local Revenue	0	0	0	0
Transfer from Counter-Cyclical Budget & Economic Stabilization	0	0	0	0
Transfer from General Fund	377,800,437	164,142,630	62,714,000	35,000,000
Recovery of Prior Year State Aid and Receivables	11,121,605	62,455,073	0	0
Sub-Total SAF Other Source Revenues	2,290,532,139	2,215,887,592	2,140,301,300	2,137,736,800
TOTAL SCHOOL AID FUND before Interfund Transfers	12,260,990,781	12,458,221,467	12,686,201,300	13,038,836,800
BUDGET ADJUSTMENTS				
FY 2004 Audit Receivable Adjustments	NA	NA	3,000,000	0
School Bond Loan Revolving Fund	NA	NA	44,500,000	0
TOTAL ENACTED ADJUSTMENTS	0	0	47,500,000	0
ADJUSTMENTS PROPOSED IN EXECUTIVE BUDGET				
Close Tax Loopholes	NA	NA	0	22,800,000
Partially Replace GF Subsidy of SAF Interest Costs	NA	NA	0	(22,800,000)
TOTAL PROPOSED ADJUSTMENTS	NA	NA	0	0
NET TOTAL SCHOOL AID FUND WITH ADJUSTMENTS	12,260,990,781	12,458,221,467	12,733,701,300	13,038,836,800
Less Interfund Transfers	(377,800,437)	(164,142,630)	(62,714,000)	(35,000,000)
TOTAL SCHOOL AID FUND after adjustments excluding interfund transfers	11,883,190,344	12,294,078,837	12,670,987,300	13,003,836,800

DETAILED STATEMENT OF GENERAL AND SPECIAL REVENUE FUNDS

	ACTUAL FY 2003 - 2004	ACTUAL FY 2004 - 2005	ESTIMATES FY 2005 - 2006	ESTIMATES FY 2006 - 2007
TRANSPORTATION: AERONAUTICS FUND 114				
Aviation Fuel Tax	7,721,014	6,718,713	6,900,000	7,000,000
Federal Aid	107,204,651	123,823,062	125,000,000	137,254,300
Local Agencies	17,500,817	23,490,235	27,025,000	30,524,000
Transfers and Other	12,153,302	10,542,456	7,517,000	7,538,000
TOTAL AERONAUTICS FUND	144,579,784	164,574,466	166,442,000	182,316,300
TRANSPORTATION: TRUNKLINE FUND 116				
Federal Aid	587,494,737	753,862,710	1,147,342,100	1,107,898,200
Local Agencies	38,587,842	46,787,864	28,765,000	30,000,000
Licenses and Permits	18,934,276	15,338,679	20,400,000	20,500,000
Transfer from Michigan Transportation & Other Funds	852,973,918	855,608,028	737,012,600	753,927,700
Interest from Common Cash Investment	7,212,013	18,250,198	14,450,000	12,750,000
Other	30,853,570	40,467,080	29,000,000	29,000,000
TOTAL TRUNKLINE FUND	1,536,056,356	1,730,314,560	1,976,969,700	1,954,075,900
TRANSPORTATION: BLUE WATER BRIDGE FUND 118				
Tolls and Rentals	13,694,598	14,289,883	14,850,000	15,400,000
Interest From Common Cash Investment and Other	294,762	790,755	833,000	850,000
TOTAL BLUE WATER BRIDGE TRANSPORTATION FUND	13,989,360	15,080,639	15,683,000	16,250,000
TRANSPORTATION: MICHIGAN TRANSPORTATION FUND 119				
Diesel and Motor Carrier Fuel Tax	140,491,582	146,307,899	153,000,000	156,000,000
Gasoline and Liquefied Petroleum Gas Tax	932,763,539	922,832,097	928,325,000	939,425,000
Motor Vehicle Registration Tax	933,822,335	863,366,561	899,000,000	934,100,000
Licenses, Permits, Other and Transfers	54,631,931	37,964,047	43,300,000	43,500,000
Interest From Common Cash Investment	2,873,674	6,327,788	7,820,000	7,140,000
TOTAL MICHIGAN TRANSPORTATION FUND	2,064,583,060	1,976,798,393	2,031,445,000	2,080,165,000
TRANSPORTATION: COMPREHENSIVE TRANSPORTATION FUND 120				
Sales Tax (Includes effect of earmarking reduction)	64,959,858	56,923,916	66,237,000	79,000,000
Federal Aid	29,669,594	20,450,460	60,300,000	61,487,800
Transfer from Michigan Transportation & Other Funds	168,141,366	169,083,909	172,252,500	176,781,600
Interest From Common Cash Investment and Other	5,157,589	5,825,800	2,391,000	18,765,000
TOTAL COMPREHENSIVE TRANSPORTATION FUND	267,928,406	252,284,085	301,180,500	336,034,400
TRANSPORTATION BOND PROCEEDS	242,870,830	90,285,067	12,000,000	15,500,000
TOTAL TRANSPORTATION REVENUE	4,270,007,797	4,229,337,210	4,503,720,200	4,584,341,600
LESS: Interfund Transfers	(1,021,115,284)	(1,024,691,938)	(909,265,100)	(930,709,300)
NET TOTAL TRANSPORTATION REVENUE After Transfers	3,248,892,513	3,204,645,272	3,594,455,100	3,653,632,300

DETAILED STATEMENT OF GENERAL AND SPECIAL REVENUE FUNDS

	ACTUAL FY 2003 - 2004	ACTUAL FY 2004 - 2005	ESTIMATES FY 2005 - 2006	ESTIMATES FY 2006 - 2007
All Funds Summary				
General Fund - General Purpose	8,715,762,105	9,040,807,696	8,207,800,000	8,377,200,000
General Fund - General Purpose Budget Adjustments	0	0	666,300,000	798,167,100
General Fund - Special Purpose/Special Revenue & Permanent Fund	5,503,367,702	5,788,170,147	5,421,683,319	5,379,696,583
Federal Aid Not Elsewhere Categorized	9,238,922,539	9,579,599,407	10,218,204,700	10,692,197,100
School Aid Fund	12,260,990,781	12,458,221,467	12,686,201,300	13,038,836,800
School Aid Fund - Budget Adjustments	0	0	47,500,000	0
Transportation Revenues	4,270,007,797	4,229,337,210	4,503,720,200	4,584,341,600
TOTAL All FUNDS	39,989,050,925	41,096,135,926	41,751,409,518	42,870,439,183
LESS: Interfund Transfers	(1,899,643,568)	(1,542,356,084)	(1,053,628,600)	(1,050,900,800)
NET TOTAL REVENUE after transfers	38,089,407,357	39,553,779,843	40,697,780,918	41,819,538,383
OTHER REVENUE OR NON-CURRENT YEAR SOURCES OF FINANCING				
General Fund Unreserved Balance	173,956,000	0	220,536,830	79,820,800
Restricted Fund Subfunds of the General Fund (Unreserved Balance)	437,704,377	426,947,978	468,778,675	468,778,675
School Aid Fund Unreserved Balance	113,668,000	0	0	0
School Aid Stabilization Fund Balance	0	72,400,000	93,700,000	80,200,000
Special Revenue and Permanent Funds Balances (Available)	105,088,000	106,679,000	174,491,358	174,491,358
Sub-Total Fund Balances	830,416,377	606,026,978	957,506,863	803,290,833
NET TOTAL RESOURCES	38,919,823,734	40,159,806,821	41,655,287,781	42,622,829,216

Capped Sources of Federal Funds Shared Between State Departments

CFDA Number	Title	FY 2007 Budget Recommendation
10.664	Cooperative Forestry Assistance	
	Grantee: Natural Resources	7,237,800
	Grantee: Agriculture	647,400
16.579	Byrne Formula Grant Program	
	Grantee: Community Health	12,038,900
	Subrecipient State Agency: State Police	6,864,700
	Subrecipient State Agency: Attorney General	225,000
16.588	Violence Against Women Formula Grants	
	Grantee: Human Services	3,551,000
	Subrecipient State Agency: State Police	180,600
17.503	Occupational Safety and Health-State Program	
	Grantee: Labor & Economic Growth	10,100,000
	Subrecipient State Agency: Attorney General	274,700
20.600	State and Community Highway Safety	
	Grantee: State Police	8,703,400
	Subrecipient State Agency: Community Health	350,000
	Subrecipient State Agency: Judiciary	100,000
66.460	Nonpoint Source Implementation Grants	
	Grantee: Environmental Quality	6,500,000
	Subrecipient State Agency: Agriculture	218,300
66.801	Hazardous Waste Management State Program Support	
	Grantee: Environmental Quality	3,668,700
	Subrecipient State Agency: Agriculture	25,000
84.002	Adult Education-State Program	
	Grantee: Labor & Economic Growth	22,206,500
	Subrecipient State Agency: Corrections	1,884,900
	Subrecipient State Agency: Human Services	58,000
84.010	Title I Grants Disadvantaged	
	Grantee: Education	4,970,300
	Subrecipient State Agency: Education via School Aid	428,860,300
	Subrecipient State Agency: Human Services	1,483,400
	Subrecipient State Agency: Management & Budget via School Aid	839,000

Capped Sources of Federal Funds Shared Between State Departments

CFDA Number	Title	FY 2007 Budget Recommendation
84.013	Title I Program for Neglected and Delinquent Children	
	Grantee: Education	6,000
	Subrecipient State Agency: Corrections	519,700
84.027	Special Education-Grants to States	
	Grantee: Education	21,995,600
	Subrecipient State Agency: Education via School Aid	350,700,000
	Subrecipient State Agency: Human Services	170,000
	Subrecipient State Agency: Management & Budget via School Aid	150,000
	Subrecipient State Agency: Corrections	100,800
84.048	Vocational Education-Basic Grants to States	
	Grantee: Labor & Economic Growth	47,654,626
	Subrecipient State Agency: Corrections	276,200
84.181	Special Ed-Grants for Infants and Families with Disabilities	
	Grantee: Education	573,100
	Subrecipient State Agency: Education via School Aid	15,000,000
	Subrecipient State Agency: Human Services	150,100
84.186	Safe and Drug-Free Schools and Communities-State Grants	
	Grantee: Education	288,200
	Subrecipient State Agency: Education via School Aid	9,625,800
	Subrecipient State Agency: Community Health	5,009,100
	Subrecipient State Agency: Management & Budget via School Aid	73,000
84.214	Title I, Migrant Grants	
	Grantee: Education	444,500
	Subrecipient State Agency: Education via School Aid	8,186,200
	Subrecipient State Agency: Management & Budget via School Aid	47,000
84.318	Education Technology Grants	
	Grantee: Education	990,700
	Subrecipient State Agency: Education via School Aid	10,140,858
	Subrecipient State Agency: Management & Budget via School Aid	1,500,000
84.336	Improving Teacher Quality	
	Grantee: Education	3,342,300
	Subrecipient State Agency: Education via School Aid	108,499,200
	Subrecipient State Agency: Management & Budget via School Aid	285,000

Capped Sources of Federal Funds Shared Between State Departments

CFDA Number	Title	FY 2007 Budget Recommendation
84.357	Reading First Grants	
	Grantee: Education	9,165,400
	Subrecipient State Agency: Education via School Aid	22,928,000
	Subrecipient State Agency: Management & Budget via School Aid	55,700
84.369	State Assessments	
	Grantee: Education	2,624,600
	Subrecipient State Agency: Education via School Aid	8,425,164
	Subrecipient State Agency: Management & Budget via School Aid	400,000
93.558	Temporary Assistance For Needy Families	
	Grantee: Human Services	668,300,400
	Subrecipient State Agency: Labor & Economic Growth	86,142,500
	Subrecipient State Agency: Community Health	19,170,100
	Subrecipient State Agency: Civil Service Cost Allocated	1,700,000
	Subrecipient State Agency: Judiciary	40,000
93.568	Low-Income Home Energy Assistance	
	Grantee: Human Services	116,467,700
	Subrecipient State Agency: Treasury	2,101,300
93.596	Child Care and Development Fund	
	Grantee: Human Services	149,008,300
	Subrecipient State Agency: Education	25,000
93.991	Preventive Health and Health Services Block Grant	
	Grantee: Department of Community Health	4,534,000
	Subrecipient State Agency: Human Services	1,100,000

SPECIAL REVENUE FUNDS SHARED BETWEEN STATE DEPARTMENTS

Fund/Department	FY 2007 Budget Recommendation
Bottle Deposits Fund	
Environmental Quality	13,024,600
Treasury	250,000
Comprehensive Transportation Fund	
Transportation	260,648,000
Attorney General	153,400
Civil Service	95,000
Management & Budget	62,400
Legislative Auditor General	25,200
Treasury	2,400
History, Arts & Libraries	3,400
Forest Development Fund	
Natural Resources	34,277,900
Capital Outlay	1,300,000
Treasury	5,800
Game and Fish Protection Fund	
Natural Resources	64,620,900
Attorney General	740,800
Management & Budget	259,100
Legislative Auditor General	21,400
History, Arts & Libraries	2,400
Treasury	11,700
Capital Outlay	2,000,000
Game and Fish Protection Trust Fund	
Natural Resources	6,000,000
Treasury	74,400
Healthy Michigan Fund	
Community Health	42,922,000
State Police	610,000
Marine Safety Fund	
Natural Resources	4,716,000
State	1,218,500
Management & Budget	23,300
Legislative Auditor General	1,900
Treasury	1,200
History, Arts & Libraries	500

SPECIAL REVENUE FUNDS SHARED BETWEEN STATE DEPARTMENTS

Fund/Department	FY 2007 Budget Recommendation
Michigan Merit Award Trust Fund	
Attorney General	406,700
Community Health	141,200,000
Higher Education	147,800,000
Treasury	3,387,100
Michigan Natural Resources Trust Fund	
Natural Resources	3,095,000
Treasury	242,900
Michigan Nongame Fish and Wildlife Fund	
Natural Resources	696,100
Treasury	4,500
Michigan State Parks Endowment Fund	
Natural Resources	12,974,000
Treasury	99,000
Michigan State Waterways Fund	
Capital Outlay	10,400,000
Natural Resources	16,189,600
Attorney General	96,700
Treasury	88,600
Management & Budget	58,700
Legislative Auditor General	5,600
History, Arts & Libraries	600
Michigan Transportation Fund	
Transportation	1,064,623,800
State	20,000,000
Treasury	8,801,500
Environmental Quality	1,020,800
Legislative Auditor General	204,300
Park Improvement Fund	
Natural Resources	41,173,600
Treasury	2,000
Capital Outlay	2,000,000

SPECIAL REVENUE FUNDS SHARED BETWEEN STATE DEPARTMENTS

Fund/Department	FY 2007 Budget Recommendation
State Aeronautics Fund	
Transportation	14,593,000
Capital Outlay	1,000,000
Attorney General	151,400
Treasury	74,300
Civil Service	55,000
Management & Budget	38,600
Legislative Auditor General	19,600
History, Arts & Libraries	2,100
State Trunkline Fund	
Transportation	728,349,600
Capital Outlay	18,550,300
State Police	7,967,000
Attorney General	2,708,300
Civil Service	2,700,000
Management & Budget	1,366,500
Legislative Auditor General	474,600
History, Arts & Libraries	73,500
Treasury	212,900

Fiscal Year 2007 Governor's Recommendation

DEPARTMENT/AGENCY	GROSS	INT-IDS	ADJUSTED GROSS	FEDERAL	LOCAL	PRIVATE	STATE RESTRICTED	GF-GP	SPENDING FROM STATE SOURCES	PAYMENTS TO LOCALS
AGRICULTURE	111,785,000	10,382,700	101,402,300	22,757,000	0	183,800	48,399,000	30,082,500	78,461,500	3,141,000
ATTORNEY GENERAL	68,306,300	13,914,300	54,392,000	10,236,500	0	0	11,259,500	32,896,000	44,155,500	0
CAPITAL OUTLAY	215,975,100	2,000,000	213,975,100	147,974,300	12,648,300	0	53,350,300	2,200	53,352,500	19,992,000
CIVIL RIGHTS	14,020,200	0	14,020,200	1,566,200	0	0	0	12,454,000	12,454,000	0
CIVIL SERVICE	36,547,100	5,788,100	30,759,000	4,779,100	1,700,000	150,000	17,157,500	8,972,400	24,129,900	0
COMMUNITY HEALTH	11,262,257,000	37,286,100	11,224,970,900	6,103,178,000	241,177,400	61,326,900	1,817,312,800	3,001,975,800	4,819,288,600	1,132,576,800
CORRECTIONS	1,947,421,500	1,238,400	1,946,183,100	11,431,500	420,900	0	68,775,700	1,865,555,000	1,934,330,700	90,341,500
EDUCATION	90,365,100	0	90,365,100	67,570,600	5,985,600	2,914,400	7,227,000	6,667,500	13,894,500	0
ENVIRONMENTAL QUALITY	370,228,500	18,233,600	351,964,900	140,338,500	0	450,000	177,878,000	33,328,400	211,206,400	4,500,000
EXECUTIVE OFFICE	5,375,500	0	5,375,500	0	0	0	0	5,375,500	5,375,500	0
HIGHER EDUCATION:										
Community Colleges	287,129,400	0	287,129,400	0	0	0	0	287,129,400	287,129,400	287,129,400
Universities/Financial Aid	1,741,840,700	0	1,741,840,700	3,000,000	0	0	153,800,000	1,585,040,700	1,738,840,700	3,759,100
HISTORY, ARTS, LIBRARY	54,688,700	79,000	54,609,700	8,450,900	0	577,400	2,781,200	42,800,200	45,581,400	14,058,900
HUMAN SERVICES	4,471,804,500	1,102,700	4,470,701,800	3,147,082,900	55,939,500	9,914,100	66,868,600	1,190,896,700	1,257,765,300	96,930,200
INFORMATION TECHNOLOGY	378,422,000	378,422,000	0	0	0	0	0	0	0	0
JUDICIARY	258,248,700	2,563,500	255,685,200	3,926,400	3,612,400	842,500	87,178,500	160,125,400	247,303,900	124,281,800
LABOR AND ECONOMIC GROWTH	1,217,098,900	12,271,100	1,204,827,800	795,345,800	15,824,300	2,314,300	343,906,700	47,436,700	391,343,400	51,370,500
LEGISLATURE	129,731,900	2,301,500	127,430,400	0	0	400,000	2,356,500	124,673,900	127,030,400	0
MANAGEMENT AND BUDGET	496,142,000	155,293,500	340,848,500	0	0	0	67,438,900	273,409,600	340,848,500	0
MILITARY AFFAIRS	122,317,600	1,664,600	120,653,000	51,190,700	1,253,100	1,366,300	26,202,700	40,640,200	66,842,900	120,000
NATURAL RESOURCES	287,018,200	3,765,900	283,252,300	42,964,300	0	2,125,100	213,043,300	25,119,800	238,162,900	29,182,500
SCHOOL AID	13,119,014,700	0	13,119,014,700	1,412,736,800	0	0	11,671,277,900	35,000,000	11,706,277,900	11,582,641,800
STATE	204,793,500	20,000,000	184,793,500	3,052,100	0	100	162,608,600	19,132,700	181,741,300	1,161,800
STATE POLICE	578,496,800	22,642,400	555,854,400	181,013,300	8,088,900	80,300	111,373,200	255,298,700	366,671,900	19,899,200
TRANSPORTATION	3,442,385,100	0	3,442,385,100	1,169,386,000	47,500,000	0	2,225,499,100	0	2,225,499,100	1,319,045,600
TREASURY										
Operations	459,356,500	13,926,800	445,429,700	83,593,300	1,066,200	700,000	266,518,300	93,551,900	360,070,200	115,572,800
Revenue Sharing	1,114,471,400	0	1,114,471,400	0	0	0	1,113,400,000	1,071,400	1,114,471,400	1,114,471,400
Debt Service	100,158,200	0	100,158,200	0	0	0	23,914,500	76,243,700	100,158,200	0
TOTAL FY 2006 Recommendation	42,585,400,100	702,676,200	41,882,723,900	13,411,574,200	365,218,600	83,345,300	16,796,527,800	9,252,860,100	27,392,387,800	16,010,176,300

Percentage of State Spending from State Sources as Payments to Local Units of Government:

57.20%

GENERAL FUND

(\$ in Thousands)

DEPARTMENT	*FY06 Current Law	FY07 Governor's Recommendation	Difference FY07 Governor's Rec. from FY06 Current Law	% Change FY07 Governor's Rec. from FY06 Current Law
AGRICULTURE	28,362.7	30,062.5	1,699.8	6.0%
ATTORNEY GENERAL	31,501.2	32,896.0	1,394.8	4.4%
CAPITAL OUTLAY	4,401.9	2.2	(4,399.7)	-100.0%
CIVIL RIGHTS	12,108.7	12,454.0	345.3	2.9%
CIVIL SERVICE	7,102.4	6,972.4	(130.0)	-1.8%
COMMUNITY HEALTH	2,951,899.4	3,001,975.8	50,076.4	1.7%
CORRECTIONS	1,780,650.7	1,865,555.0	84,904.3	4.8%
EDUCATION	16,100.4	6,667.5	(9,432.9)	-58.6%
ENVIRONMENTAL QUALITY	31,809.6	33,328.4	1,518.8	4.8%
EXECUTIVE OFFICE	5,375.5	5,375.5	0.0	0.0%
HIGHER EDUCATION:				
Community Colleges	281,327.4	287,129.4	5,802.0	2.1%
Universities/Financial Aid	1,577,443.9	1,585,040.7	7,596.8	0.5%
HISTORY, ARTS, LIBRARY	41,190.1	42,800.2	1,610.1	3.9%
HUMAN SERVICES	1,082,196.4	1,190,896.7	108,700.3	10.0%
INFORMATION TECHNOLOGY	0.0	0.0	0.0	0.0%
JUDICIARY	157,614.5	160,125.4	2,510.9	1.6%
LABOR AND ECONOMIC GROWTH	38,078.9	47,436.7	9,357.8	24.6%
LEGISLATURE	124,673.9	124,673.9	0.0	0.0%
MANAGEMENT AND BUDGET	291,220.0	273,409.6	(17,810.4)	-6.1%
MILITARY AFFAIRS	37,789.1	40,640.2	2,851.1	7.5%
NATURAL RESOURCES	25,593.2	25,119.6	(473.6)	-1.9%
SCHOOL AID	62,714.0	35,000.0	(27,714.0)	-44.2%
STATE	13,497.8	19,132.7	5,634.9	41.7%
STATE POLICE	235,361.6	255,298.7	19,937.1	8.5%
TRANSPORTATION	0.0	0.0	0.0	0.0%
TREASURY	90,687.4	94,623.3	3,935.9	4.3%
Debt Service	52,886.9	76,243.7	23,356.8	44.2%
TOTAL FY 2007 Recommendation	\$8,981,587.6	\$9,252,860.1	\$271,272.5	3.0%

*Adjusted for program transfers

ALL FUNDS

(\$ in Thousands)

DEPARTMENT/AGENCY	*FY06 Current Law	FY07 Governor's Recommendation	Difference FY07 Governor's Rec. from FY06 Current Law	% Change FY07 Governor's Rec. from FY06 Current Law
AGRICULTURE	119,178.4	111,785.0	(7,393.4)	-6.2%
ATTORNEY GENERAL	64,720.4	68,306.3	3,585.9	5.5%
CAPITAL OUTLAY	228,304.7	215,975.1	(12,329.6)	-5.4%
CIVIL RIGHTS	13,158.5	14,020.2	861.7	6.5%
CIVIL SERVICE	35,941.6	36,547.1	605.5	1.7%
COMMUNITY HEALTH	10,326,194.0	11,262,257.0	936,063.0	9.1%
CORRECTIONS	1,860,106.4	1,947,421.5	87,315.1	4.7%
EDUCATION	117,475.6	90,365.1	(27,110.5)	-23.1%
ENVIRONMENTAL QUALITY	455,196.0	370,228.5	(84,967.5)	-18.7%
EXECUTIVE OFFICE	5,375.5	5,375.5	0.0	0.0%
HIGHER EDUCATION:				
Community Colleges	281,327.4	287,129.4	5,802.0	2.1%
Universities/Financial Aid	1,734,443.9	1,741,840.7	7,396.8	0.4%
HISTORY, ARTS, LIBRARY	53,219.1	54,688.7	1,469.6	2.8%
HUMAN SERVICES	4,437,366.9	4,471,804.5	34,437.6	0.8%
INFORMATION TECHNOLOGY	365,194.4	378,422.0	13,227.6	3.6%
JUDICIARY	255,381.9	258,248.7	2,866.8	1.1%
LABOR AND ECONOMIC GROWTH	1,183,827.1	1,217,098.9	33,271.8	2.8%
LEGISLATURE	129,731.9	129,731.9	0.0	0.0%
MANAGEMENT AND BUDGET	504,711.2	496,142.0	(8,569.2)	-1.7%
MILITARY AFFAIRS	117,699.4	122,317.6	4,618.2	3.9%
NATURAL RESOURCES	272,943.1	287,018.2	14,075.1	5.2%
SCHOOL AID	12,757,151.3	13,119,014.7	361,863.4	2.8%
STATE	197,378.4	204,793.5	7,415.1	3.8%
STATE POLICE	550,810.1	578,496.8	27,686.7	5.0%
TRANSPORTATION	3,387,807.5	3,442,385.1	54,577.6	1.6%
TREASURY	1,985,286.6	1,573,827.9	(411,458.7)	-20.7%
Debt Service	89,001.4	100,158.2	11,156.8	12.5%
TOTAL	41,528,932.7	42,585,400.1	1,056,467.4	2.5%

Historical Expenditures/Appropriations
General Fund/General Purpose

DEPARTMENTS	FY07 Expend.	FY08 Expend.	FY09 Expend.	FY10 Expend.	FY01 Expend.	FY02 Expend.	FY03 Expend.	FY04 Expend.	FY05 Expend.	FY06 Current Law	FY07 Exec. Rec.
Agriculture	38,977,547	34,215,715	39,633,018	52,986,168	57,084,484	49,982,887	38,482,386	32,586,695	30,371,748	28,362,700	30,062,500
Attorney General	28,728,101	28,740,351	30,443,940	34,289,352	34,868,529	34,807,010	29,591,865	27,442,334	30,597,538	31,501,200	32,886,000
Capital Outlay	204,098,457	257,953,883	329,379,869	386,252,729	320,167,844	380,185,429	315,021,558	228,538,732	244,177,825	4,401,900	2,200
Career Development				33,300,372	43,751,883	29,178,898	28,083,730	26,934,332			
Civil Rights	11,750,247	11,975,385	12,704,328	14,185,065	14,222,922	13,522,456	12,038,667	11,521,471	11,434,943	12,108,700	12,454,000
Civil Service	12,611,237	13,181,110	15,248,222	21,810,241	12,583,361	9,757,483	9,650,598	7,540,085	6,885,622	7,102,400	6,972,400
Commerce											
Community Health	2,489,426,814	2,435,154,320	2,561,333,736	2,559,451,214	2,688,930,880	2,484,327,571	2,379,401,584	2,625,862,524	2,552,308,402	2,951,899,400	3,001,975,800
Consumer and Industry Services	63,702,550	75,721,087	69,255,350	78,578,288	83,001,519	36,506,944	30,615,290	11,253,712			
Corrections	1,277,460,254	1,288,613,428	1,375,072,589	1,489,868,883	1,605,334,848	1,585,429,705	1,585,008,018	1,588,343,931	1,698,586,577	1,780,650,700	1,865,555,000
Education	45,073,591	45,909,895	49,230,423	42,236,528	35,074,678	34,296,626	28,884,464	28,285,178	25,608,149	16,100,400	6,687,500
Environmental Quality	54,796,726	58,544,973	63,141,194	79,540,719	95,089,437	96,847,348	75,198,473	60,878,599	31,444,584	31,808,600	33,328,400
Executive Office	4,741,680	5,118,384	5,067,702	5,411,980	5,804,427	5,443,277	5,023,188	4,673,035	5,163,454	5,375,500	5,375,500
Family Independence Agency	1,116,206,920	1,031,805,019	1,128,549,036	1,176,342,559	1,253,547,822	1,190,047,924	1,118,369,205	1,075,042,895			
Higher Education											
Community Colleges	282,186,716	274,845,576	281,729,965	297,158,459	314,915,220	319,867,153	307,512,112	276,779,312	294,105,851	281,327,400	287,128,400
Universities/Financial Aid	1,491,455,863	1,558,484,506	1,601,676,589	1,675,344,915	1,783,607,788	1,813,577,317	1,741,585,507	1,551,339,289	1,625,896,322	1,577,443,900	1,595,040,700
History, Arts and Libraries						65,181,649	59,910,586	44,215,636	45,198,011	41,190,100	42,800,200
Human Services									1,108,146,480	1,081,211,900	1,190,898,700
Information Technology											
Judiciary											
Labor and Economic Growth	141,946,079	147,156,019	154,116,508	166,831,336	176,614,842	173,567,315	172,128,220	161,402,026	160,282,517	157,814,500	160,125,400
Labor								1,455,926	98,034,636	70,354,300	47,436,700
Legislature	87,448,913	89,887,113	95,852,029	104,837,979	113,442,020	125,725,987	122,266,517	112,994,995	117,236,991	124,673,900	124,673,900
Legislative Auditor General	10,749,956	10,924,847	11,807,717	12,586,935	13,203,021						
Library of Michigan	27,530,283	29,123,342	30,245,359	30,892,225	33,037,453						
Management and Budget	55,882,772	47,883,349	49,797,983	66,658,586	71,047,662	63,366,159	39,401,356	32,044,398	34,077,757	35,217,900	273,409,600
Aging	24,782,846										
Mental Health											
Michigan Biologic Products	18,030										
Michigan Jobs Commission	99,573,779	107,076,910	148,975,478	45,730,157	65,087,705	44,140,882	52,581,586	37,986,911			
Michigan Strategic Fund											
Military and Veterans Affairs	38,618,432	34,930,121	38,198,586	39,377,632	42,361,955	40,371,417	37,843,422	35,583,744	36,897,345	37,789,100	40,840,200
Natural Resources	48,809,945	50,465,267	48,785,001	72,456,134	57,274,846	49,393,752	44,370,778	31,553,854	28,708,106	25,593,200	25,119,800
Public Health											
School Aid	277,947,800	375,967,757	419,597,281	420,113,853	385,227,875	198,091,139	380,056,273	377,797,148	164,136,628	62,714,000	35,000,000
Social Services											
State	21,679,851	58,564,938	62,396,584	60,328,935	66,418,745	17,815,908	18,914,480	20,588,155	12,894,508	13,497,800	19,132,700
State Police	285,080,734	246,385,418	281,544,659	275,450,894	319,542,658	286,937,551	278,741,169	236,522,805	242,268,776	235,361,600	255,298,700
Transportation											
Treasury	57,508,123	59,341,217	27,321,315	79,947,853	77,418,281	63,808,614	67,520,978	61,298,587	123,555,517	315,389,600	94,623,300
Debt Service	163,367,000	116,440,891	115,864,014	84,918,450	90,745,200	96,014,321	21,486,853	34,288,208	65,073,251	52,886,900	76,243,700
Contract and IT savings											
TOTALS	8,419,958,825	8,473,820,828	9,028,089,505	9,404,648,338	9,858,207,598	9,287,988,510	8,988,646,862	8,772,488,318	8,794,068,516	8,581,587,600	9,252,880,100

Historical Expenditures/Appropriations GROSS

DEPARTMENT/AGENCY	FY97 Expend.	FY98 Expend.	FY99 Expend.	FY00 Expend.	FY01 Expend.	FY02 Expend.	FY03 Expend.	FY04 Expend.	FY05 Expend.	FY06 Current Law	FY07 Exec. Rec.
Agriculture	66,273,858	71,829,591	77,574,947	90,325,582	93,985,565	98,813,941	85,609,414	90,938,648	96,976,844	119,178,400	111,785,000
Attorney General	44,416,606	42,884,005	47,352,532	53,047,391	55,788,901	55,818,966	51,287,974	50,857,891	58,572,911	64,720,400	68,306,300
Capital Outlay	245,772,178	486,723,755	442,121,005	509,342,187	503,215,119	598,861,057	474,817,118	461,261,784	483,872,698	228,304,700	215,975,100
Career Development				392,500,509	470,999,354	476,701,552	476,592,933	476,468,780			
Civil Rights	13,232,623	13,244,555	13,957,360	14,846,385	15,048,472	14,704,059	13,382,340	12,388,783	13,158,623	13,158,500	14,020,200
Civil Service	25,283,585	28,206,918	29,615,253	39,874,163	31,444,218	29,461,884	28,586,028	24,162,630	26,808,579	35,941,600	36,547,100
Commerce											
Community Health	6,982,832,645	7,231,164,775	7,534,588,089	8,215,483,585	9,024,835,601	9,314,440,367	9,634,338,088	10,050,281,931	10,476,690,014	10,326,194,000	11,262,257,000
Consumer and Industry Services	456,397,250	421,826,111	390,437,237	410,919,610	441,915,121	514,757,723	523,955,247	515,316,181			
Corrections	1,318,182,287	1,394,962,759	1,453,513,634	1,581,562,155	1,702,965,571	1,887,302,370	1,890,836,693	1,863,133,113	1,781,323,331	1,860,106,400	1,947,421,500
Education	713,011,559	789,882,208	824,722,372	859,778,828	829,602,201	913,096,820	143,473,615	93,023,398	101,073,155	117,475,800	90,385,100
Environmental Quality	193,902,247	181,985,782	197,727,718	253,398,133	277,186,445	294,778,080	273,053,764	272,505,818	213,751,134	455,196,000	370,228,500
Executive Office	4,741,680	5,118,384	5,067,702	5,411,980	5,664,393	5,443,277	5,023,198	4,673,035	5,163,454	5,375,500	5,375,500
Family Independence Agency	3,495,213,116	3,278,954,106	3,263,651,087	3,388,891,595	3,655,699,431	3,870,634,540	3,888,575,125	3,945,048,955			
Higher Education											
Community Colleges	282,186,716	274,845,576	281,729,985	297,158,459	315,679,214	320,211,913	310,249,085	276,779,312	294,105,851	281,327,400	287,129,400
Universities/Financial Aid	1,493,857,731	1,561,607,022	1,604,184,322	1,775,304,640	1,874,447,620	1,948,955,555	1,844,788,350	1,843,825,936	1,708,947,843	1,734,443,900	1,741,840,700
History, Arts and Libraries						73,431,528	69,983,804	57,234,086	56,005,797	53,219,100	54,888,700
Human Services						484,505,913	397,743,852	347,377,755	312,564,019	4,427,975,000	4,471,804,500
Information Technology						232,041,240	232,215,174	246,621,704	244,779,865	385,194,400	378,422,000
Judiciary										255,381,900	258,246,700
Labor	187,104,924	204,599,850	210,076,397	223,044,229	232,491,773						
Labor and Economic Growth											
Legislature	88,025,315	90,234,951	96,560,498	105,202,720	113,703,607	128,573,613	128,746,423	117,923,561	1,165,935,540	1,667,315,300	1,217,098,900
Legislative Auditor General	13,056,351	12,869,037	13,537,569	14,541,223	15,254,871				122,456,216	129,731,900	129,731,900
Library of Michigan	27,784,497	35,086,400	36,131,970	35,531,114	37,321,104						
Management and Budget	143,070,648	134,397,354	153,180,243	157,518,726	169,723,338	190,815,906	175,387,655	208,221,019	221,388,839	231,914,100	496,142,000
Aging	102,736,110										
Mental Health		21,798,070	216,139								
Michigan Biologic Products	18,101,428										
Michigan Jobs Commission	333,595,533	356,555,846	482,007,744								
Michigan Strategic Fund											
Military and Veterans Affairs	83,372,837	78,980,935	90,365,660	102,804,885	165,836,761	104,367,503	129,052,356	136,208,153	106,902,384	117,899,400	122,317,800
Natural Resources	198,582,936	210,454,114	218,669,725	250,254,611	262,270,230	263,470,987	256,141,096	246,165,488	258,651,775	272,943,100	287,018,200
Public Health											
School Aid	8,616,375,000	9,405,837,000	9,847,919,000	10,089,742,011	10,958,833,235	11,373,862,748	12,345,548,212	12,302,082,224	12,393,232,461	12,757,151,300	13,119,014,700
Social Services											
State	150,798,841	148,645,475	158,619,422	166,861,198	180,378,930	169,021,700	160,242,047	164,985,271	189,889,796	197,378,400	204,793,500
State Police	350,427,487	347,482,495	353,827,271	363,551,380	418,779,922	403,866,171	393,829,084	401,853,388	456,125,977	550,810,100	578,496,800
Transportation	2,818,192,757	2,520,658,697	2,631,186,388	2,690,470,554	2,775,246,805	2,857,404,627	2,858,865,148	2,957,280,073	2,920,553,025	3,387,807,500	3,442,385,100
Treasury	2,049,831,728	2,189,911,359	2,278,280,379	2,306,825,811	2,458,403,396	2,457,411,255	2,584,810,907	2,395,511,865	2,400,944,715	1,783,987,400	1,573,827,900
Debt Service	184,085,122	117,140,891	116,891,888	85,618,450	91,445,199	96,714,321	50,589,580	122,259,387	104,079,051	89,001,400	100,158,200
TOTALS	30,656,524,576	31,587,916,091	32,653,492,611	34,525,326,462	37,277,724,942	38,877,762,617	38,287,191,802	38,348,261,316	40,334,398,675	41,526,932,700	42,585,400,100



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
OFFICE OF THE GOVERNOR
LANSING

JOHN D. CHERRY, JR.
LT. GOVERNOR

February 9, 2006

Ladies and Gentlemen of the Legislature and Citizens of the State of Michigan:

Article XI, Section 5, of the Michigan Constitution of 1963, provides that increases in rates of compensation for employees in the state classified service, authorized by the Civil Service Commission, require prior notice to the Governor. The Constitution also requires that I, as Governor, transmit such increases to the Legislature as part of my budget.

On December 15, 2004, the Civil Service Commission approved multi-year collective bargaining agreements with five state employee unions representing seven bargaining units for Fiscal Years 2006, 2007 and 2008. Fiscal Year 2007 increases contained in all seven of these agreements are reflected in this transmittal. The State Police Enlisted unit is currently in the process of negotiations, thus, it is not included in this correspondence.

On December 13, 2005, the Commission approved Fiscal Year 2007 pay adjustments for non-exclusively represented state classified employees. These adjustments are in line with the adjustments the Commission authorized for employees covered by collective bargaining agreements.

Attached is a cost summary of the Civil Service Commission's pay actions for Fiscal Year 2007 prepared by the Office of the State Employer. The net additional cost of this pay adjustment for Fiscal Year 2007 is estimated to be \$99.1 million including the state's share of FICA and required retirement contributions.

Sincerely,

A handwritten signature in black ink, appearing to read "Jennifer M. Granholm", written over the printed name and title.

Jennifer M. Granholm
Governor

Attachment

ESTIMATED "NEW" COSTS - SUMMARY
MICHIGAN STATE CLASSIFIED SERVICE
FISCAL YEAR 2007
(10/01/2006 - 9/30/2007)

	A-02 MSEA Saf. & Reg.	A-31 MSEA Labor & Trades	C-12 MOO Security	E-42 31-M Human Sv. Support	H-21 MPES Scientific & Engineering	L-32 UTEA Technical	T-01 MSPTA State Police Enlisted	U-11 AFSCME Institutional	W-22 UAW Human Sv.	W-41 UAW Admin. Supt.	MSC's & NEFE's	TOTAL ALL UNITS (Ex. T01)
2 Number of Employees - 10/22/05	1,435	2,614	9,016	804	2,272	1,016	1,587	2,550	9,183	7,222	14,805	52,504
2 Avg. Hourly Salary - 10/22/05	\$ 21.61	\$ 19.96	\$ 21.43	\$ 19.92	\$ 27.92	\$ 21.03	\$ 27.44	\$ 18.01	\$ 24.00	\$ 18.64	\$ 29.65	\$ 23.90
2 Avg. Annual Salary - 10/22/05	\$ 45,122	\$ 41,676	\$ 44,746	\$ 41,593	\$ 58,297	\$ 43,911		\$ 37,605	\$ 50,112	\$ 36,920	\$ 61,909	\$ 49,912
Base Pay Adjustments for FY 2007												
2% Base Wage Increase 10/01/2006												
2% Base Wage Increase 4/2007	\$ 1,974,993	\$ 3,322,959	\$ 12,305,376	\$ 1,020,009	\$ 4,040,011	\$ 1,360,792		\$ 2,924,911	\$ 14,036,364	\$ 8,573,580	\$ 27,957,087	\$ 77,516,083
Additional Roll-up Cost Resulting from Base Pay Increase												
3 FICA/Ret. Blended Rates - 10/22/05	19.04%	19.41%	20.69%	17.76%	18.25%	18.82%		18.71%	18.91%	19.28%	20.52%	19.71%
3 FICA/Ret. on Base Wage Increase	\$ 376,039	\$ 644,986	\$ 2,544,752	\$ 181,154	\$ 737,302	\$ 256,101		\$ 547,251	\$ 2,654,277	\$ 1,651,272	\$ 5,736,794	\$ 15,329,927
4 Life Insurance Increase	\$ 21,567	\$ 36,287	\$ 134,375	\$ 11,139	\$ 44,117	\$ 14,860		\$ 31,940	\$ 153,277	\$ 93,623	\$ 305,291	\$ 846,476
5 Long Term Disability Increase	\$ 18,644	\$ 31,369	\$ 116,163	\$ 9,629	\$ 38,138	\$ 12,846		\$ 27,611	\$ 132,503	\$ 80,935	\$ 263,915	\$ 731,752
6 Overtime Increase	\$ 112,181	\$ 191,308	\$ 1,657,114	\$ 148,348	\$ 72,467	\$ 145,673		\$ 380,729	\$ 228,388	\$ 85,725	\$ 426,637	\$ 3,458,570
7 Shift Differential Increase	\$ 10,071	\$ 8,564	\$ 251,697	\$ 0	\$ 198	\$ 1,337		\$ 47,154	\$ 16,085	\$ 7,681	\$ 63,700	\$ 406,486
FICA/RET on OT and Shift Diff. Inc.	\$ 23,277	\$ 38,795	\$ 394,742	\$ 26,347	\$ 13,261	\$ 27,667		\$ 81,928	\$ 46,230	\$ 17,990	\$ 100,617	\$ 770,854
FY 2007 Additional ATB Base							Unknown					
Costs	\$ 2,536,771	\$ 4,274,268	\$ 17,404,218	\$ 1,396,625	\$ 4,945,494	\$ 1,819,276		\$ 4,051,525	\$ 17,287,124	\$ 10,510,806	\$ 34,854,041	\$ 99,060,147

¹ Negotiations are in progress for Fiscal Year 2007.

² MIB, VTM, HFM, EMPLOYEES, PP 22. Employment Status Code = AA, AB, AC, AD, AE, AP

³ FY 2006 Rates from OFRM, Full Monthly 9/20/2005 memo; Unit rates are weighted by enrollment and reduced by amount of retiree health cost; Assumes State maximum contribution for retirement code 40.

⁴ Life insurance increase on incremental cost increase. Rate as of FY 2006. Annual \$5.46 per \$1000 of extra coverage.

⁵ Rates as of FY 2006 - (Increase/100)* 944.

⁶ Based on all FY 2005 OT hours

⁷ Based on FY 2005 hours

LEGISLATION NEEDED TO IMPLEMENT FISCAL YEAR 2007

BUDGET RECOMMENDATION

DEPARTMENT	PURPOSE	MICHIGAN COMPILED LAW (MCL) BEING AMENDED
Community Health	Quality Assurance Assessment Program - Nursing Homes Quality Assurance Assessment Program - Hospitals Third Party Liability Recoveries in Medicaid	MCL 333.20161 (13) (1) MCL 333.20161 (14) (i) MCL 500.100 through 8302 and MCL 550.1101 through 1704
Corrections	Adjust Special Alternative Incarceration Boot Camp Eligibility	MCL 791.234a and MCL 771.3b
Environmental Quality	Baseline Environmental Assessment Sunset Extension	MCL 324.20129a (4)
Labor and Economic Growth Natural Resources	Liquor License Fee Commercial Forest Tax Adjustment Michigan Civilian Conservation Corps Act	MCL 436.1543 and MCL 436.1525 MCL 324.51105 and MCL 324.51106 MCL 409.301 et seq.
School Aid	School Code Amendments for Public Institutions	MCL 380.1311g (6)
State	Expedition Service Fee and Registration Transfer Fee Sunset Extension	MCL 257.806 (3), and MCL 257.809 (1)
Treasury	Freeze Revenue Sharing	MCL 141.913 (13)
	Eliminate International and Certain Interstate Communications Exemptions Create Standards for Affiliate Nexus in Certain Situations Reduce Interstate Trucks and Trailer Exemption	MCL 205.93a MCL 205.1 through MCL 205.31 MCL 205.54r, MCL 205.94k and MCL 205.180 (new section)
	Eliminate Driver Education Vehicle Exemption	MCL 205.54d and MCL 205.94
	Charge Tax on Inmate Purchases	MCL 205.54a

LEGISLATION NEEDED TO IMPLEMENT FISCAL YEAR 2007

BUDGET RECOMMENDATION

DEPARTMENT	PURPOSE	MICHIGAN COMPILED LAW (MCL) BEING AMENDED
Treasury, continued	Exempt Certain Commercial Rental Property and Subject to Specific Tax	MCL 211.34d and MCL 211.7j j (new section) and new act
	Limit Credits and Deductions for Professional Employer Organizations and their Clients	MCL 208.4 A (new section) and MCL 208.5
	Apply Small Business Eligibility Tests to Limited Liability Company	MCL 208.36
	Apply Small Business Eligibility Tests to Out-Of-State Business Affiliate	MCL 208.36
	Eliminate Insurance Company Out-of-State Purchase Exemption	MCL 208.22a
	Eliminate Deduction for Gain from Entity Not Taxable in Michigan	MCL 208.9
	Limit Certain "Flow-Through" Entity Deductions	MCL 208.79 (new section)
	Eliminate Oil and Gas Double Deduction	MCL 206.30 and MCL 206.36
	Change Tax on Gain from Sale of Inherited Assets	MCL 206.30
	Increase Penalties for Certain Delinquent Taxes	MCL 205.19 and MCL 205.24
	Publicize Names of Major Delinquent Taxpayers	MCL 205.3 (new section)